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The Importance of cross-cultural Management Skills in
Companies Applied to Service and Sales

Master's Thesis

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THE IMPORTANCE OF CROSS-CULTURAL MANAGEMENT SKILLS IN COMPANIES APPLIED TO SERVICE AND SALE

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ABSTRACT

Having more cultures working together is a reality that companies can observe more and more. This cultural mix can assist firms in doing business, especially when different languages come into the client's relationship. This Final Master's Thesis details the impact of cross-cultural skills in businesses through various steps. The first step is a discussion of two critical theories about multiculturalism developed by Geert Hofstede and Robert House. The second step centres on the internationalisation processes of different sales strategies to enter markets. A deep analysis of what influences these sales strategies will follow in the third step. The fourth step focuses on customers' expectations within different countries. Finally, the thesis examines diverse cultures in companies through examples of industries and firms in the UK.

Keywords: diverse cultures; cross-cultural skills; multiculturalism; companies; Management; internationalization; service and sales

1. INTRODUCTION

1.1. Justification

This work delves into a pressing and increasingly prevalent topic in today's business landscape-the rise of multiculturalism in companies.

A comparison between different UK companies (fashion, automobile and hospitality) provides valuable insights into the global relevance of cross-cultural skills in businesses.

For example, in the fashion industry, there is a strong connection between cultural diversity and the business' performance. Nevertheless, about 33% of the workers are of different ethnic groups, while the majority belong to the White category. Despite everything, the fashion industry has become increasingly inclusive in recent years, as demonstrated by the 2022 London Fashion Week. The participation by individuals from different ethnic groups increased by 50%, compared to the 14% of the previous decade.

Another sector that is becoming increasingly multicultural is the automotive industry, although there are fewer ethnic minority workers. They increased just 1% from 2020/2021 to 2022/2023. This increase leads to a more diverse and inclusive work environment, which might improve employee satisfaction and productivity.

In the UK hospitality industry, employees from different backgrounds increased a lot, with approximately 300.000 from BAME ethnicity, a term that includes individuals from a wide range of ethnic groups such as Black, African, Caribbean, Black British, Bangladeshi, Indian, Pakistani, Chinese, and 'any other Asian background', as well as those from 'Mixed/Multiple ethnic groups'.

Approaching multiculturalism can yield both advantages in terms of production and creativity, as well as disadvantages, as some scholars have sustained. Despite the undeniable advantages of cross-culturalism, challenges such as communication barriers, social integration issues, and conflict between different group members might arise. However, the potential benefits of a cross-cultural company, such as international expansion and increased creativity, certainly cause optimism. Besides, challenges can be mitigated with effective management strategies.

This TFM studies more deeply the topic of multiculturalism and analyses it conceptually and through industries and companies in the UK, a country where multiculturalism is extended.

1.1. Objectives

1.2.1 General objective

The general objective of this master's thesis is to analyse cross-cultural management skills in companies and their impact on their success.

1.2.2 Specific objectives

To reach the general objective, four specific objectives are set:

- O1. Explain the concept and main theories related to multiculturalism.
- O2. Explore the relationship between internalisation strategies and countries' cultures.
- O3. Design a methodology to analyse and compare multiculturalism in selected industries and companies in the United Kingdom.
- O4. Apply the methodology to analyse and compare multiculturalism in selected industries and companies in the United Kingdom.

1.3 Structure of the document

The document comprises seven sections. The first section serves as the introduction, while the second section delves into the fundamental theories surrounding multiculturalism within companies. The third section is dedicated to internationalisation strategies, and the fourth section explores the impact of culture on these strategies, as well as on corporate governance and marketing. The fifth section focuses on understanding customers' expectations based on variations across different countries. The sixth section analyses multiculturalism through case studies of companies and industries in the United Kingdom. Finally, the seventh section presents the primary conclusions of the master's thesis.

2. DIFFERENT CULTURES IN COMPANIES

2.1 Introduction

This section introduces the concept of multiculturalism or cultural diversity in companies nowadays. This existing diversity, from employees to CEOs, brings businesses advantages, helping them remain competitive in the modern environment.

Diversity inspires the usage of new perspectives in the decision-making processes, making organisations grow. Facilitating effective communication with customers who speak different languages is essential for today's business and internationalise firms. Linguistic diversity plays a huge role not just in entering new markets but also in building new relationships. Differences (habits, values, traditions, and norms) influence how individuals respond to various situations and perform workplace duties. Companies and managers must have a good knowledge of cultural diversity to reach a good competitive position, avoid misunderstanding, and promote motivation and creativity.

Scholars like Hofstede (2005) have studied the dimensions between cultures and management, distinguishing two main keywords: *values* and *practices*. In the research conducted by House in 2004, named the *GLOBE* study, the effects of culture on organisational leadership can be explored, with the importance of understanding societies and countries.

Despite the undeniable advantages of cross-culturalism, challenges such as communication barriers, social integration issues, and conflict between different group members might arise. These challenges can, however, be mitigated with effective management strategies.

To summarise, cultural diversity presents positive and negative opportunities for the marketplace. By embracing diversity and using the strengths of multicultural teams, organisations can acquire competitive advantages, foster innovation, and build stronger relationships with stakeholders and customers.

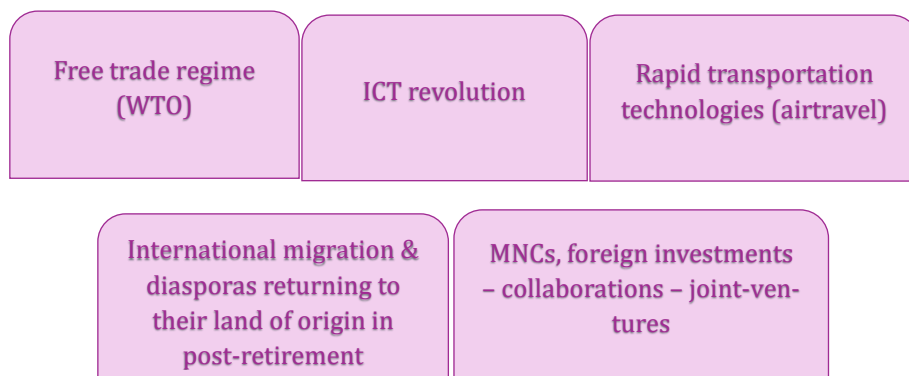
2.2 The importance of cultural mix in companies

2.2.1 Concept of multiculturalism

The Oxford Dictionary defines multiculturalism as “including people of several different races, religions, languages, and traditions (Oxford Dictionary, 2005). The primary goals of effectively managing a multicultural workforce include awareness, providing education, and promoting a positive recognition of workplace diversity (Black Enterprise, 2001).

The concept of cultural pluralism derives from different sources, including the implementation of the new world trade regime by the *WTO (World Trade Organization)*, the transformative impact of *ICT (Information and Communications Technology)*, new rapid transportation technology such as travelling by air, the increase of international migrations, multinational staff mobility across borders, the emphasis on the individual choices, and the return of the diaspora communities to their homelands in the late stages of life (Parekh, 2005; Claval, n.d.).

Figure 1. Sources of multiculturalism



Source: Koshy, P. (2010).

In companies, a significant factor needed nowadays is the cultural diversity and cultural mix of people (from employees to CEOs) who represent the business. This is especially important for companies that want to compete in today’s environment, a globalised and interconnected commercial context.

A definition states that **cultural diversity** is “the representation, in one social system of people with different group affiliations of cultural significance” (Mazur, 2010).

Intercultural understanding and cultural knowledge are crucial for companies and leadership in the global marketplace. A survey conducted

among 107 multinational organisations by *RW3* and *ORC* worldwide revealed that 95% of respondents acknowledged cultural competency as a crucial business skill. Additionally, the survey found that 85% of larger organisations participating in the study offer cross-cultural training to prepare employees and management to address workplace diversity effectively (Wickman, 2008).

Above all, this can be useful because human beings from different cultures could transmit to enterprises new creativity, helping them to be more innovative and, in doing so, competitive. Different workforces have other ideas, experiences, and ways to see the business and make it more successful, bringing unique insight to the decision-making department.

Another aspect that could help the companies go worldwide and is a decisive success factor is the ability to communicate with stakeholders and clients in different languages. In this case, linguistics has a considerable role, facilitating the entry of new markets, creating new relationships, and serving new and other customer segments with a high-performing team.

Working with diverse cultures is also an advantage in terms of adaptation. People might be more open-minded when surrounded by different languages and cultures, knowing that other societies have various ways of working and doing business. Companies that foster a culture of curiosity, continuous learning and adaptation are better equipped to embrace changes. They respond quicker to the evolution of markets, running for having major competitiveness.

Different authors say that cultural situations inherited by other individuals, such as habits, values, traditions, beliefs and norms, affect the workers' responses to several conditions and how they carry out tasks and duties at the workplace (Ameer & Khan, 2019). The national culture of employees and the perceptions of different work methods might be related together.

In conclusion, based on different research and authors, cultural diversity can positively and negatively affect companies. The concept of multiculturalism originates from various sources and is ultimately helped by evolving technology.

2.2.2 Hofstede vs GLOBE views

The studies of numerous linguists define that members who belong to the same culture also share the same values, which are then further translated

into beliefs and attitudes and embedded in practices and norms; however, the most important model is the one of the anthropologist *Hofstede*, with his studies of culture about management (Tallaki & Bracci, 2015).

According to *Hofstede* (2005), the national cognitive, cultural dimension in the business context is defined by five different cultural dimensions; he describes them as a collective phenomenon and says that “It is the collective programming of the mind that distinguishes the members of one group or category of people from others” (Browaeyns & Price, 2011), at a national level.

He also recognises two essential keywords: *values* and *practices*. *Hofstede* believes that, while *values* are acquired in the first stages of life by absorbing the inevitable facts from the surroundings (e.g. family and school), humans will focus on practices (e.g. convention, customs and habits learned in the workplace) at the end of this period.

Firms can leverage their employees' unique strengths to drive sustainable growth and success by embracing cultural diversity in today's aggressive business environment.

Primary research related to the world's business cultures in the West and East is the one from *House (2004)*: the *GLOBE (Global Leadership and Organizational Behaviour Effectiveness Research Program)* study. The main focus of this report is to explore the different effects that cultures have on organisational leadership (House and Javidan, 2004), which is defined as “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organisations of which they are members (House & Javidan, 2004)”.

The difference between the two studies (*Hofstede* and the *GLOBE*) is that the first one, belonging to *Hofstede*, is performed at an individual level, comprising five cultural dimensions, as quoted before. On the contrary, the *GLOBE* study focuses more on societies and countries and includes nine dimensions.

Table 1. Differences between Hofstede and GLOBE views.

Hofstede's individual level	House: the GLOBE study's societies and countries levels
- Low power distance vs. high power distance	- Power distance
- Individualism vs. collectivism	- Institutional collectivism - In-group collectivism
- Masculinity vs. femininity	- Gender egalitarianism - Assertiveness
- Uncertainty avoidance (high or low)	- Uncertainty avoidance
- Long-term orientation vs. short-term orientation	
	- Future orientation
	- Performance orientation
	- Human orientation

Source: Hofstede (2005) and House (2004).

Some similarities can be found between the two mentioned research, such as in the dimension of *power distance*, where there exists a lack of equality among human beings. The Dutch anthropologist then divides this quality into the *low* and *high-power distance*. In contrast, in the first one, subordinates are more involved in a company's decision-making process, having a cooperative leadership style; the second is a more authoritarian style, which does not involve the subordinates in the organisation's decision-making process.

Other resemblances could be found in *uncertainty avoidance* when people feel threatened by the future and rely on norms and rules to avoid it.

According to Hofstede, working groups can be divided into long-term or short-term orientations (Schugk, 2014)—Robert House (Schugk, 2014) measures instead of just *future orientation*. Being oriented toward the future or having a long-term orientation means making plans and investing resources. *Short-term orientation focuses on traditions and adjusting to the past and the present.*

There may be minor correspondences between Hofstede's dimension of individualism vs collectivism and the GLOBE study. *Individualism* and *collectivism* are represented by self-responsibility, independence, and belonging to social groups. House distinguishes two types of collectivism further: institutional collectivism and in-group *collectivism*.

The last dimension of the Dutch author, which designed the behaviour of the workforce in companies, is *masculinity* and *femininity*; the more competitive masculine culture, in which individual success is valued, such as payment and promotion, is in opposition to the femininity culture where there is more empathy and tolerance toward the others.

Of significant importance regarding the cultural mix present in an enterprise are the two elements belonging to the *GLOBE* project: *human orientation*, the “degree to which individuals in organisations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others (Kabasakal & Bodur, 2004)”, most present in cultures with economic and climate condition difficulties, and *performance orientation*, where the organisation encourages and rewards group members for the excellent work.

2.2.3 National and individual cultures

Various inquests have shown that the relationship between national values, managerial practices and organisational processes could influence the personnel. For instance, to find optimal solutions for sustainable performance and improvement of circular economy practices, organisations must consider the cultural background of a country as well as the social, political, economic, and historical context of the society (Cotae & Bacali, 2017). Research projects have demonstrated that important points in individualism and masculinity dimensions negatively impact CRS (corporate social responsibility). Conversely, company proactivity is favourably influenced by *in-group collectivism* and *performance orientation*.

About these distinct aspects that influence business, *Hofstede*, in 1980, noted that the way of doing affairs is variable, having different rules based on the culture and the country.

2.2.4 Managing multiculturalism

Due to the increasing worldwide economy and competition, multinational companies with a cultural diversity present have more chances to work effectively and succeed in other markets; these will also lead them to become more creative and open to varied needed changes. Therefore, multicultural workspaces are becoming an organisational challenge and a significant issue for managers to supervise.

Companies must focus on diversity, which will be increasingly important in the future, to ensure greater productivity and global competitiveness. In doing this, firms must acquire new skills in managing and valuing a multicultural environment; the opposite may lead to different obstacles in goals regarding the administration.

Cox et al. (1991) supported what other writers have said, agreeing that diversity in working groups increases labour efficacy.

Managing diversity is essential for developing a solid management strategy and optimising the contributions of every employee in the workplace (Jinsoo, n.d.).

2.2.4.1 Advantages and disadvantages of multiculturalism

Literature disputes the advantages and disadvantages of homogenous group structure, giving five arguments for multicultural organisations.

Advantages

- First, these businesses have an advantage in attracting and retaining the best workers;
- secondly, they could better understand the global market with a heterogeneous clientele: such institutions should have a better understanding of the economic, legal, political, social and cultural situation of the external nation;
- Third, disparate genders and exceptionally diverse ethnicities can achieve enormous advantages. Morgan (1989) agrees, saying that “Creativity thrives on diversity”;
- fourth, there is the opinion that multicultural companies are better at problem-solving complex issues;
- Lastly, cross-cultural organisations have more flexibility: they are the best at adjusting to changes.

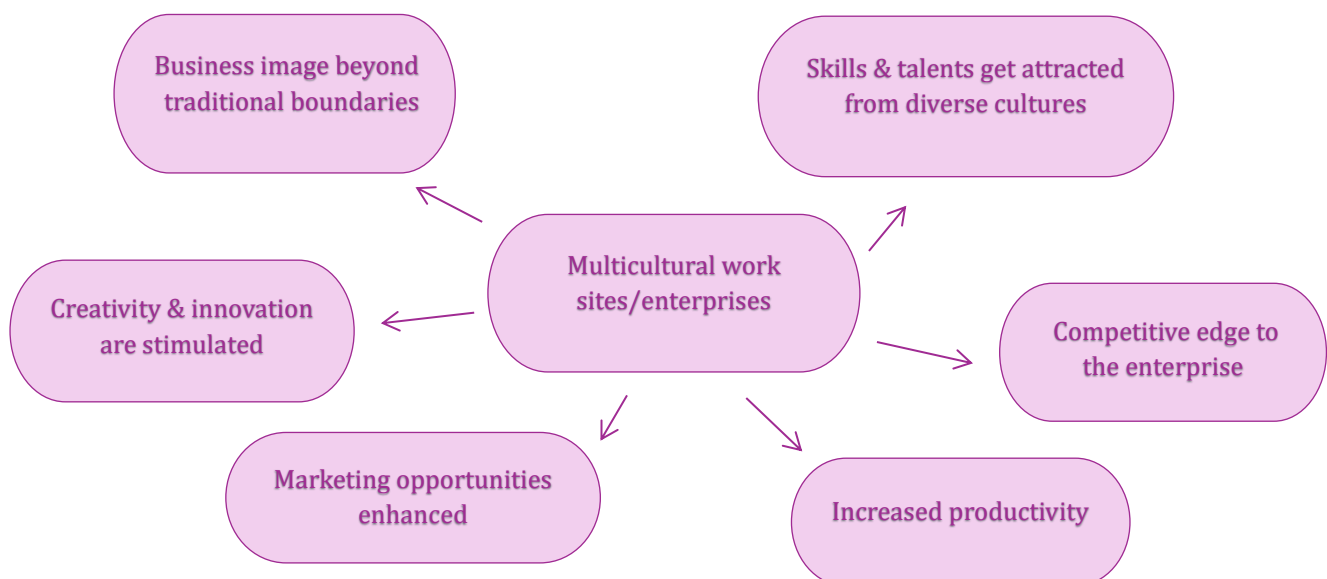
Other studies have also highlighted the numerous benefits associated with multicultural enterprises (Webguru.com, 2009; Jinsoo, n.d.; Black Enterprise, 2001; Karunakaran, 2009):

- employer-employee relationship: When an organisation values and respects diversity, it fosters a strong bond between employers and employees;

- increase marketing opportunities: Diversity opens up to diverse marketing opportunities;
- creativity and innovation stimulation: Diversity inspires creativity and innovations within the workspace;
- enhance business image: Adopting multiculturalism might extend and enhance the business image beyond the traditional borders;
- attracts new talent: A firm characterised by cultural variety attracts skilled individuals from different cultures, helping it to expand into new markets;
- competitive edge: it provides competitiveness advantages to companies;
- improve workplace dynamics and teamwork: Having employees belonging to different cultures fosters synchronisation in the workplace, leading to higher turnout and improving problem-solving through teamwork;
- enhance employee morale and professional growth: it positively impacts employee morale, professional development and career growth, increasing consequently productivity;
- different viewpoint enrichment: Inclusive workspaces benefit from diverse perspectives, enriching the organisation's competitive advantage.

In Figure 2, several benefits of a multicultural workforce are illustrated.

Figure 2. Benefits of a Multicultural workforce.



Source: Koshy (2010).

Disadvantages

Unfortunately, some studies suggest that cross-culturalism negatively impacts performance, given the difficulties in communicating, cooperating and decreasing emotional conflict. They indeed state that if the above situation occurs or under certain conditions such as uncertainty and complexity, social difficulties, communication problems, and relation conflicts might arise between employees and the management department.

Cultural variety could make it harder for workers to agree in some cases, followed by a negative business dynamic, resulting in conflict between the majority and minority group members.

O'Reilly et al. (1989) supported the thesis that group heterogeneity is associated with a low rate of social integration.

Two reporters (Milliken & Martins, 1996) argued about diversity years later. They start with talking about "*affective consequences*", where people tend to interact with similar others, thus creating a minor level of commitment or satisfaction. Next, "*cognitive outcomes*" are outcomes that increase creativity and innovation. "*Symbolic effects*" means equity; the fact is that "*symbolic effects*" are of significant importance for the organisation's reputation. Then, "communication effects" will follow, where culture's varieties allude to the communication features.

2.2.4.2 Diversity and innovation

Thanks to increasing globalisation, companies are operating and expanding their market in many different countries; in doing so, they need to manage multiculturalism, with differences not just in the culture and language but also in other numerous issues such as political risks, currency risks and, above all, cross-cultural risks.

A good knowledge of cultural diversity is essential for companies to enhance a competitive position and for managers to be more flexible, avoid misunderstanding, and promote motivation and creativity.

As stated in this work, cross-cultural management, namely multiculturalism, competes with international business operations. Administrators must verify and then align strategies with the country's culture. However, what is the definition of culture? And cultural diversity? Culture is "A fuzzy set of attitudes, beliefs, behavioural conventions, and basic assumptions and values that a group of people shares, and that influence each member's behaviour and each member's interpretations of the "meaning" of other

people's behaviour" (Spencer-Oatey, 2000), fitting the definition of *Helen Spencer-Oatey*. Culture is represented by shared values, beliefs, and norms, which members of the same society typically follow. People in a particular community perceive the world differently and have different methods of doing things like business.

As claimed as an explanation, cultural diversity is defined as "when differences in race, ethnicity, language, nationality, religion, and sexual orientation are represented within a community. A community is considered culturally diverse if its residents include members of different groups." (Master Textbook and Whatcom Community College, n.a.).

As stated above in this text, having different cultures within a firm, both large and small, might help the international pressure in competitiveness, obtaining different points of view from their employees, allowing to improve the morale of the workers and collect positivity at the workspace; workers because belong to different background, might have more profound ideas and perspectives, being an important strategic element for the company.

Sometimes workers can have a cultural shock when going to work abroad: they might be disoriented and lose self-confidence due to a variety of aspects, such as different language, a diverse working method, food or availability of goods, other colleagues and friends and the separation from the old ones (Davis & Newstorm, 1989).

Managers should maintain an open mind and avoid jumping to conclusions regarding multiculturalism when assisting new employees from abroad and fostering effective interaction. They must acquire new, relevant skills and valuable knowledge, forgetting ethnocentric assumptions.

Recent studies indicate that employees in companies prioritising *diversity and innovation (D&I)* have demonstrated improved decision-making abilities and expedited business processes and are more likely to drive revenue growth through innovation (Cloverpop, 2021; Boston Consulting Group, 2021). Therefore, based on specific indicators, organisations in which a diverse leadership is present perform better.

2.2.4.3 *Hiring for cultural variety*

To internationalise the corporation and expand the market, having a different view of the world, more skills and experiences, supervisors have to hire operators with divergent and vast backgrounds; clients often find it more appealing doing business with whom they can relate, understand each other better, speaking the same language.

Research (McKinsey & Company, 2021; Society for Human Resource Management, 2021) found that when focusing on *D&I*, team morale can improve, translating into a significant degree of trust between employees and managers.

Cultural diversity inspires an environment of inclusion, where people from different education come together to work in teams.

Some studies explained the importance of cultural variety's benefits; for instance, 43 of the most diverse public corporations were 24% more profitable (Anwah, 2021). Other studies show that almost 95% of directors agree that diversity brings unique perspectives (Schindler, 2021).

Being culturally diverse can help ease and broaden the hiring process; specific surveys show that two-thirds of candidates cite diversity as an essential consideration during a job hunt (Glassdoor, 2020).

Cross-culturalism improves a team's creativity at work. Companies are seeing more perspectives being discussed and more solutions to be found.

More cultures also improve the engagement of employees: interaction between different people with different backgrounds is the best way to learn about other cultures. Better motivation, collaboration, and loyalty in firms are achieved through positive communication behaviour.

Ultimately, having a good reputation among customers is essential for the business. Multiculturalism will help to improve these aspects.

Nowadays, multiculturalism is undeniable, presenting a significant challenge at the governance and managerial levels.

3. INTERNATIONALIZATION PROCESSES

3.1 Introduction

The current chapter provides valuable insight for enterprises navigating global markets, explaining the internationalisation process and focusing on market entry strategies to take advantage of emerging opportunities.

Market research and environmental analysis are relevant to the success of the international expansion. Political stability, economic development, cultural elements, and technological advancement influence market entry decisions.

Companies search for ways to expand internationally and achieve their goals in the new business landscape. An efficient internationalisation involves developing tailored sales and marketing strategies, which should be aligned with the resources of the firms and the host market environments. Sales agents, who should be trained in particular skills, are crucial in presenting products' value propositions worldwide.

The choice of entry mode is essential, directly impacting the operational dynamics and outcomes; they can select a variety of strategies, such as *exporting, licensing, franchising, joint ventures, and Foreign Direct Investment (FDI)*. Each presents distinct levels of control and risks, having different advantages and challenges.

The most crucial behavioural model, the U model, proposes a gradual increase of international involvement, emphasising the importance of experiential knowledge and market commitment. Understanding how internationalisation paths vary across different types of organisations clarifies strategic development in response to market uncertainties.

3.2 Different sales strategies to enter different cultural markets

3.2.1 *Internationalization strategy*

Internationalising a firm, the process through which companies expand themselves by going abroad, is a characteristic of today's businesses that want to succeed in this modern and competitive world. It is an opportunity

to make the business grow. Companies' sales or marketing strategies are indeed of significant importance, and they are very challenging for them.

3.2.2 Reasons for internationalisation

As mentioned, companies are deciding to internationalise themselves, making more profit and making successful on a global scale due to the recent trends that accelerate the rapid growth of global strategies. The reason for these circumstances could be multiple, and some of these are:

- foreign markets may be in rapid growth concerning the domestic market;
- companies tend to search for a way to produce greater sales volume, achieving lower costs.

In 1995, *Czinkota* and *Ronkainen* separated the motives for entering a new market into two categories: *proactive* and *reactive* motives. On the one hand, there are five reasons for *proactive* motives:

1. profit and growth goals: Motivation for growth is of interest for firms that are new in the export department; in going global, companies have more chances to increase profits, seeking customers that are willing to spend more for products or services concerning domestic clients;
2. managerial motives: A well-managed managerial attitude can be a determinant for export activities;
3. foreign market opportunities: These are seen by companies as new occasions;
4. economic of scale: Participating in different markets could mean an increase in production and a reduction in costs;
5. tax benefits: Paying lower taxes can play a huge role in companies' motivation to export to certain countries. This can be translated into higher financial gain or a lower offered price for the outcome.

On the other hand, *reactive* motives can be seen in six distinct sections:

1. competitive pressures: the importance of competitors as an external aspect could help the company in internationalisation;
2. domestic market: small and saturated: when the internal market is limited, firms tend to export to other areas, where it can be easier to sustain economies of scale and scope;
3. overproduction/excess capacity: overproduction can be a reason for domestic companies to go abroad, explore new markets, and get rid of the excess inventory;

4. unsolicited foreign orders: *Small/medium-sized enterprises (SMEs)* did become aware of new opportunities thanks to the many inquiries made as a result of multiple forms of marketing communication;
5. extend seasonal product sales: This condition can lead enterprises to different international markets. Seasonality may change based on the country;
6. proximity to international customers/psychological distance: The proximity and psychological closeness of the companies in an area play a significant role in global business. For instance, German enterprises that operate near the border with Austria may not recognise the activities in Austria as international.

In a case study about SMEs in the UK (*Westhead et al., 2002*), multiple reasons for expanding internationally can be noticed, such as order placement made by foreign customers or simply because expanding is a firm's growth objective. Furthermore, the availability of information on the foreign market also plays a massive role in exporting products or services.

3.2.3 Process of internationalisation

3.2.3.1 Process

The process of internationalisation is based on four crucial elements:

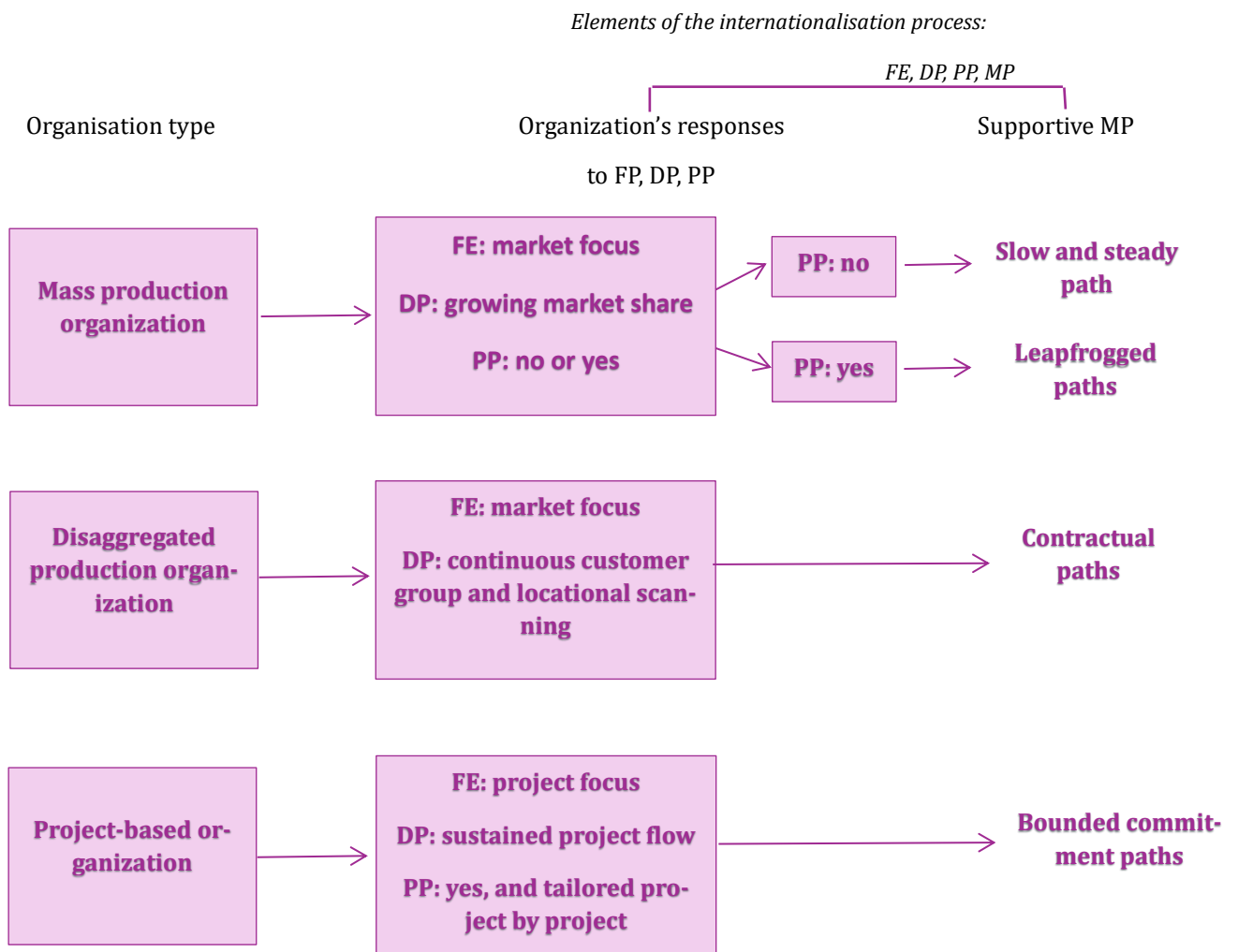
1. focus of entry: Companies might penetrate new markets by targeting specific clients or focusing on the market as a whole;
2. degree of presence: This reflects the firm's level of commitment to the market;
3. physical presence: for understanding the extent and the form of physical presence required in the market;
4. modal form and path of modal forms: using the best entry mode that reflects the firm's resources and institutional commitment.

Internalisation processes, characterised by these four elements, vary depending on the type of organisation. There are three types of organisations: the industry of mass production, the disaggregated production, and the project-based organisation. According to the *Bowen et al.* framework (*Bowen et al., 1989*), three components can be distinguished: standardisation vs customisation of products, capital intensity vs labour

intensity, and degree of customer participation, which can have high or low levels.

Figure 3 provides a detailed illustration of the process for each type of organisation.

Figure 3. Organisation type and the internationalisation process: detailed model.



FE, focus of entry; DP, degree of presence; PP, physical presence; MP, modal path.

Source: Malhotra and Hinings (2010).

In scenarios characterised by high uncertainty, *mass production organisations* will enter their international expansion by *exporting* their products or *licensing*. Subsequently, they progress towards arrangements with local partners, culminating in a strategic shift towards higher control, such as establishing subsidiaries. This strategic evolution is called, as we can see from Figure 3, a *slow and steady path*.

Disaggregated production firms, such as hotels, fast food restaurants and car rentals, usually follow a *contractual path* marked by management service of *franchise* contracts; this contractual strategy supports the firm's market focus and the need for an increasing number of physical presences to serve new customer groups in different locations within the host market.

An organisation employing a *project-based production* typically is described by following specific projects in international markets. Due to the duration of these projects, the strategic approach of these companies is labelled *bounded commitment*.

To conclude, strategic internalisation processes vary depending on the type of organisation because of the combination of organisational factors and market uncertainty. The interaction between these factors generates variations in the consequent internationalisation process, shaping the specific approaches adopted by different firms.

3.2.3.2 *Studying the environment*

Firms, before going globally, have to make essential decisions to find the best strategy to penetrate the market and, consequentially, make more profits; one of these critical factors is the study of the environment, where we can find uncontrollable forces such as external corps that might exert a considerable influence.

In studying the environment of a country, political and institutional systems, government policies, and economic data must be considered. A vital starting point is scanning the macro-environment, which we can translate into the *PEST analysis: Political, Economic, Sociocultural and Technological* factors.

Political

Political orientation is the first examination to consider when selecting a new market; government structure and political system are essential and should be carefully studied. Government involvement in business affairs is related to different policies on promoting the country's national interests in the best way possible.

Due to the uncertainty and continuous political changing philosophies, risk assessment is a critical factor in selecting a target market (*Cateora & Graham, 1999*). Above all, there are political risks, which, according to Johansson (1997), can be divided into four levels: General instability, expropriation,

operations, and finance. If any of these levels reveal unacceptable risks, companies should promptly reassess their decision to conduct business in that country.

Another critical factor to consider in an international strategy includes studying the economic climate, particularly for developing countries, to gain insight into market potential and growth. Understanding the existing level of economic development allows the firm to estimate the degree of market potential.

The economic environment, essential in estimating the territory's attractiveness, is a crucial consideration for international marketers when deciding where to expand the business. The central focus is whether the new export market is suitable for purchasing the imported products to meet the customer needs (*Wood and Robertson, 2000*).

The legal landscape significantly influences international business, as court rulings can profoundly affect a company's globalisation initiatives. Developing successful global marketing programs presents numerous challenges for companies due to this complex legal environment.

Comprehensive knowledge of diverse juridical systems is crucial when engaging in international markets.

According to *Cateora and Graham (1999)*, nations around the world can be broadly categorised into four legal systems:

1. *standard law system*: The system originated from English law; it is prevalent in English-speaking countries, such as England, the United States, the British Commonwealth countries, including Canada, Australia, New Zealand, and the former British colonies in Africa and India;
2. *civil or code law system*: derived from the Roman law, this juridical system is predominant in most European nations, Japan, non-Islamic and non-Marxist countries;
3. *Islamic legal system*: Based on interpretations of the Koran, this legal structure is followed by Pakistan, Iran, Saudi Arabia, and other Islamic nations;
4. *Marxist legal system*: It was found in socialist countries like Russia, the former Soviet republics, Eastern Europe, and China. The system places economic, political, and social policies at the core of its legal framework (*Cateora, Graham, 1999*).

Socio-cultural

Culture is considered one of the most challenging aspects of selecting a market. It can be seen, in fact, in varied marketing aspects, such as price, promotion, package, and style. In designing a new product and related marketing activities, marketers must conduct multiple studies to ensure it is acceptable to the different cultural markets (*Cateora & Graham, 1999*).

Marketers need to understand cultural differences by objectively examining them. By doing so, they will minimise disharmony, address potential issues, and enhance communication, establishing long-term international business relationships. A deep understanding of these differences will give global marketers a significant advantage. Proficiency in distinguishing high-context and low-context cultures and practical verbal and non-verbal communication skills are valuable to them.

Technological

Technology is vital for companies to gain a competitive advantage. It is essential for globalisation because it allows them to produce innovative and inexpensive products and services while maintaining better quality. Additionally, technology facilitates the distribution and helps to improve communication processes both inside and outside the enterprise by offering new and efficient ways of interaction.

3.2.3.3 Scope of internationalisation

Erramilli, in 1991, indicated that the scope of international expansion, measured by the number of nations where the company has previously operated, might influence the entry into a new foreign country. In this context, a valuable tool for enhancing the understanding of the internationalisation system is the *linear structural relations*, a statistical software package *analysis (LISREL)* of the structural model.

Stage of countries

Walt Rostow introduced a model to classify countries based on stages of economic development (*Cateora & Graham, 1999*). This model outlines five distinct phases:

- stage 1: the traditional society;
- stage 2: The preconditions for take-off;

- stage 3: the take-off;
- stage 4: the drive to maturity;
- stage 5: the age of high mass consumption.

Understanding *Rostow's* model provides valuable insights into the evolution of economic development and can assist in assessing nations' economic climate and market potential within an international strategy context.

Hollensen highlighted a different model for classifying a country's economic development in 1998. This categorisation groups countries into three clusters:

1. *less developed countries*: This category includes all nations with a low Gross Domestic Product (GDP) per capita, weak infrastructures, and limited manufacturing activity;
2. *newly industrialised countries*: They are countries with an evolving industrial base entering the global economy;
3. *advanced industrialised countries*: These territories have a high GDP per capita and a well-developed industrial base, indicating robust industrialisation and infrastructures.

The U-model

In a comprehensive analysis of the internationalisation process, *Andersen*, 1993 identifies two different types: the *U-model (Uppsala)* proposed in 1977 by *Johanson and Vahlne* and the *I-model (Innovation)* by *Bilkey and Tesar* (1977), *Cavusgil* (1980 and 1984), *Czinkota* (1982) and *Reid* (1983).

A fundamental aspect is that the *U-model* can be applied to firms of any size, whereas the *I-model* can be used just for small companies (Andersen, 1993). The *U-model* is based on the gradual increase of international involvement, emphasising the importance of experiential knowledge, proposing that firms start with markets geographically and culturally closer before moving to more distant and unfamiliar markets as an incremental process (Johanson & Vahlne, 1977).

Experiential knowledge mitigates the risks associated with international growth and acts as a tool to acquire internal and external resources and opportunities to combine them.

The model identifies both the *static* and *dynamic* aspects. On one hand, the *static* elements include market knowledge and market commitment. In the market commitment concept, two main factors are the allocation of resources used and the depth of this commitment, which refers to the ease

of reallocating assets from one market to another. Instead, Knowledge focuses on the objective and experiential types (Penrose, 1959). While objective knowledge, though less significant in a firm's internationalisation process, is typically acquired through standardised methods like market research and can be easily transferred and replicated across different countries and firms, the experiential type, which is unique for each country and not transferable between firms, is considered as a driven factor for the global market penetration (Johansson & Vahlne, 1977). On the other hand, the *dynamic* aspects consist of the current activities that serve as the primary source of experiential knowledge. Another aspect of change involves resource allocation decisions, which are made in response to emerging problems and opportunities.

Distance

Two distinct methods can be observed when discussing internationalisation: psychic distance and establishment chain.

As the psychic distance between markets increases, companies may encounter difficulties collecting and interpreting new data correctly; this can influence market selection and strategy. Enterprises without much experience tend to prefer markets that resemble their domestic market and have a short psychic distance. However, the distance may become more extensive over time as expertise increases.

Studies by different authors (Hornell et al., 1972; Nordstrom, 1990; Vernon, 1996; Kogut & Harbir, 1988) and across different periods and countries confirmed the concept of psychic distance, showing a preference for markets where the same language is spoken (*Davidson's case study* (Davidson, 1983) highlighted the market entry preferences of *U.S.-based firms* into English-speaking countries). Contrarily, these studies indicate that companies with extensive experience show less preference for similar markets.

Market size

The market size can be measured in two ways: *directly* or *indirectly*. While the *direct* method involves calculating the local production minus exports plus imports, the *indirect* method is estimated using the Gross National Product (GNP), population size, and imports of products.

Entry barriers

Entry barriers represent a difficulty for new entrants in a market. The government imposes them and makes the companies already present in the market more valuable, reducing the risk of having new competitors. Barriers to exit are instead obstacles to the market's players who want to quit.

3.2.3.4 *Entry modes for internationalisation*

When companies go abroad and explore foreign countries, deciding on the entry mode strategy is of primary importance, which should be aligned with the businesses' resources, evaluating all the opportunities offered by the country's market.

"What entry mode that a multinational company chooses has implications for how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control it can exercise over the operations on the new market." (Hill et al., 1990).

Penetrating a new market can be done with many different modes: a company must choose the one that suits better for them regarding the background, the nature of the business, the strategic objectives they want to achieve in the future, and ultimately, the resources available.

As mentioned, the strategy is of significant importance and might be a determinant for the successful running of foreign operations. Firms can decide between diverse expansion modes, such as *exporting, licensing, franchising, joint ventures, and direct investment*.

The eclectic approach to internationalisation results from three key factors: firm-specific advantage, country-specific advantage, and internalisation advantage (Dunning, 1977). When the market presents imperfections due to government restrictions (Kindleberger, 1969), enterprises can opt for various entry modes, for example, through subsidiaries, joint ventures, licensing, and other agreements.

The easiest and most well-established method is *exporting*, so there is no need to invest large sums of money. It does not require a customisation of the products. *Exporting*, like other methods, has both advantages and disadvantages. Among the advantages is complete control over the products and the production since this entry mode helps reach customers very quickly. Conversely, transportation costs might be a weakness due to the trade barrier's costs (for example, the different tariffs and quotas). Another problem with exporting goods is difficulty responding quickly to clients' needs.

Another system for exploring a foreign market is *licensing*, where two different actors take part: the *licensor* has a monopoly position -having an exclusive right which helps to prevent others from exploiting the idea or logo-and the *licensee* -who pays a fee in exchange for using the properties of the *licensor*-. Although the *license arrangement* has control over the trade barriers, having only little costs of initial investments and easier access to

information, a vast disbenefit could be that the *licensee* may have a great potential of becoming a competitor.

A process of internationalisation similar to *licensing* is *franchising*. In this case, the *franchisee* must pay a *royalty fee* to obtain the *know-how* the franchiser owns. It is mainly utilised in the service industries (an example can be *McDonald's*).

The main distinction between the *licensing* mode of entry and a *franchising* arrangement is that the *franchisee* must adhere to specific rules set by the *franchisor*.

Joint ventures represent agreements between at least two parties with common objectives, like entering a particular market and sharing the technology, risks and rewards. The accordance is stipulated to help companies reduce entry costs, having, despite this, a significant command over the business affairs among additional access to local knowledge. Having some opposing sides, no participant has total control of the market, which can lead to conflicts among partners.

Big enterprises with elevated resources can internationalise themselves through *foreign direct investment (FDI)*, which involves investing large sums of money, technology, and personnel to open new facilities in the target country. The *FDI* can be made through “the acquisition of an existing entity” or “the establishment of a new enterprise”. Acquisitions are part of the firm’s growth strategy, which is more convenient than expanding independently (dictionary.com, 2024).

Whereas acquiring an already existing firm, the company has a large-scale approach to the local knowledge, having, ultimately, more control over the foreign operations and the technology used, the creation of new operational facilities or “*green field*” entry benefit from the avoidance of integration’s problems, maintaining full command on the market anyway and, in the meantime, creating new jobs (Phung, 2022).

Setting up a new company also presents some disadvantages, such as the requirement of knowledge of foreign management and business laws, outstanding commitment with significant risks, and, ultimately, the fact that new companies are slow startups.

In conclusion, direct ownership (acquisition and green field) provides an excellent level of command in the operations, thus allowing to get to know the customers better.

Entering a new country can be challenging. Some obstacles might be the safety of the new territory, the packaging that can differ from country to country, and the labelling in diverse markets: all these factors might be responsible for the success or failure of the business. Authors like *Cateora & Graham* (2002) analysed that once the entry mode is chosen, other important decisions should be taken into consideration, like the level of involvement of the marketing department; in deciding it, an attentive analysis of the potential of the market and the capabilities of the firm should be done (Cateora & Graham, 2002).

3.2.3.5 *Internationalization knowledge*

When internationalise a business, exchange-specific resources and market-specific resources are required. These resources are naturally valuable, and they require significant costs to be obtained.

Evidence supports (Bilkey & Tesar, 1977; Bureau of Industry Economics, 1984; Millington & Bayliss, 1990; Newbould et al., 1978) the theory in which exchange-specific resources are set off through the acquisition of experiential knowledge that comes from a particular market. Market-specific resources are acquired by technology, know-how and human capital.

Obtaining local knowledge is significant for performance, but it is time-consuming too, as determined by a case study in 1996 about *Japanese ventures in Asia* (Makino & Delios, 1996).

Speaking about internationalisation, a crucial point involves ensuring the compatibility between an enterprise's existing resources and those needed for a specific external market. A company needs to have "*internationalisation knowledge*" (Yu, 1990) (experiential knowledge of capability and resources necessary for international operations), as well as knowledge of the chosen market (Yu, 1990).

There are two essential elements to experiential market knowledge. "*Foreign business knowledge*" comes from understanding the market, clients, and competitors. It is contraposed to "*foreign institutional knowledge*", which refers to a comprehensive awareness of the institutional framework, e.g. the government with rules, norms and values.

The absence of practical knowledge in organisational and decision-making contests raises challenges for firms expanding internationally. Establishing a local presence like a subsidiary enables firms to acquire specialised insights into clients and local business dynamics. This local engagement also

facilitates the gathering and interpreting of essential information on the market tailored to the firm's needs (Carlson, 1974).

Increasing experiential knowledge of market conditions may enhance the company's ability to identify opportunities in foreign markets, thus reducing uncertainty (Kogut & Singh, 1988). Firms with substantial experiential knowledge in a specific market tend to deepen their involvement over time. As Davidson (1980; 1983) before and Franko (1989) mentioned, starting with a production base in the foreign market positively impacts market penetration.

Experiential knowledge significantly influences the business's internationalisation path, also affecting the associated costs. Lack of institutional knowledge prevents a deep understanding of technical, commercial, and legal norms in foreign markets, such as import-export regulations, tariffs, taxes, and market conditions (Jansson et al., 1995; Lenway & Murtha, 1994; Murtha & Lenway, 1994; Stopford & Strange, 1991; Yoffie, 1988). Language (Dichtl et al., 1990) and cultural knowledge (Hofstede, 1984 a/b) are also advantageous for comprehending local needs and requirements.

The accumulation of experiential knowledge through international business activities influences firms' future internationalisation strategies, shaping information search processes. A study in 1996 by Madhok showed that limited global experience could be correlated with less sophisticated international organisational capabilities. Experiential learning in internationalisation is firm-specific and defines each firm's unique approach to international expansion.

The internationalisation process is composed of an incremental commitment as firms gain market knowledge, processing this through stages, namely the establishment chain, starting with exporting, establishing then marketing subsidiaries, and eventually moving into foreign production. Investigations carried out by Davidson (1980), Goodnow and Hansz (1972), and Kogut and Singh (1988) highlighted that American companies tend to use the *joint venture* method when entering the sociocultural distant market. In contrast, Daniels, Ogram and Radebaugh (1976) and Shetty (1979) observed a shift towards *licensing* and *joint ventures* as firms gained experiential knowledge. In 1996, O'Grady and Lane demonstrated that entering foreign markets closely resembling the domestic market can lead to poor performance. However, current research generally underscores the significance of experience in guiding firms' choices of entry modes during international expansion.

As mentioned, enterprises started operating locally, developing routines and administrative structures for the domestic market. These structures and routines gradually evolve as the company accumulates experiential knowledge operating abroad.

Internationalising a business is a challenging process to plan. Structures and routines cannot be predetermined; instead, they must be progressively developed based on the business' capabilities and the requirements of the foreign market. The most influential work about internationalisation has been the *Uppsala model (U-model)* outlined by *Johanson and Vahlne* in 1977; companies slowly increment their commitment in host countries, relying on previous experiences, reducing uncertainty.

More recent studies argued that internationalising different types of organisations follows disparate processes. In 2009, *Johanson and Vahlne* revised their 1977 model and emphasised that relationship and general internationalisation knowledge are as crucial as market-specific knowledge. *Forsgren (2002)* then indicated that additional elements of experiential learning could include learning through acquisitions or other local subsidiaries and learning through imitations. These elements accelerate internationalisation, leading it to a non-incremental approach.

Johanson and Vahlne (2009) also clarify that their theory can effectively incorporate strategic intentions and managerial discretions. They emphasise that internationalisation depends on the ability to identify and capitalise on new opportunities; a firm can either recognise new opportunities or take advantage of the firm's already existing relationships (*Ghauri et al., 2005; Johanson & Vahlne, 2009*). Companies must essentially pursue and identify new opportunities, develop new relationships, and strengthen the efficiency of current operations in the host market to build their intangible commitment to the market.

A study from 1990 (*Johanson & Vahlne, 1990*) noted that the *U model* is mainly relevant to international operations driven by market-seeking objectives. *Erramilli and Rao (1990)* found that enterprises that follow existing clients demonstrated a more assertive approach in selecting entry modes than firms seeking new customers. As businesses expand abroad, they face critical decisions regarding their entry mode, including whether to establish a physical presence. Firms may decide between market entry strategies, like wholly owned, joint, and non-equity arrangements (licensing, franchising, and management service contracts).

3.2.3.6 *Costs related to internationalisation*

In the context of worldwide expansion, behavioural models assume managers act based on their perceptions of costs and previous experiences (Johanson & Vahlne, 1977).

Regarding the internationalisation process, *Carlson* (1974) emphasised that it is unavoidable for the question of management-related costs to arise. This process entails a substantial investment of resources and specific risks. Cost aspects influence indeed the profits generated by companies (Bilkey, 1982), the decision to expand into a foreign country (Dichtl et al., 1990), and the selection of the entry strategy (Calof & Beamish, 1995).

Estimated costs concern direct costs of starting a new business, such as transportation costs, salaries and the expenses related to the collection of foreign market information, etc., as well as fees associated with the change of the company structure; examples include staff training, changes in routines, change in the reporting systems and procedures. Additionally, opportunity costs for research, and the evaluation of local partners may be incurred in joint ventures and other alliances.

3.2.4 *Sales*

Selling strategies are essential indeed. Three main approaches can be distinguished (Alvani et al., 2004; Moisan, 2017):

1. *selling to an already existing clientele*: a loyalty ground towards the company that creates affirmative feedback;
2. *cross-selling strategy*: It means sharing complementary products belonging to the same brand, inducing customers to buy them. This strategy may be, above all, related to the service area, like hotels and restaurants;
3. *The up-selling strategy* involves convincing the client to purchase a more expensive product than desired (Alvani et al., 2004; Moisan, 2017).

Research establishes seven steps for the sales process (The University of Maine, 2011):

- *prospecting* is the first step when selling a product or service, i.e. identifying customers;

- the second point is where we have to *prepare* ourselves, understand better the customer, get new knowledge;
- following the *sales approach*, the first occasion to make a good impression on the buyer;
- *presenting sales*, where presenting the benefits of the products or services;
- Then comes the management *of the objections or rejections*. This fifth step involves the sellers' capacity to predict possible misgivings, such as no trust, no desire to buy, etc.;
- *closing sales* take place at the act of buying;
- The last step is tracking: the seller must follow the client even after the deal closes.

Customers

The customer is the central focus of every business; thus, companies exist due to users; they need to serve various clientele with different needs and expectations.

To be competitive and successful, firms might have to pay attention to an important point: gaining customers' trust. They need to listen carefully and closely observe their expectations. Communication is also fundamental to creating a relationship with the purchaser and increasing the firm's profit.

Organisations are satisfied with complementary products that increase the desire to purchase and attract other customers (Anderson et al., 2014). The commitment of customers dramatically depends on the competition between companies.

Besides searching for new customers, the most essential part of firms is maintaining their relationships with them, having a long-lasting affinity, and adding continuous value to satisfy them.

Two scholars, *Ruth* and *Wysoki*, consider that selling is unimportant as the relationship developed between buyer and seller (Creswell, 2013): customer affinity plays, de facto, an essential performance in a successful sales business.

Two types of networks can help businesses improve their sales skills and make them grow: First, we find the official network where people from commercial or professional associations with similar business interests come together, for example, the *Local Chamber of Commerce* (Johnson, 2015); secondly, there is an informal network with more people belonging to different companies, like competitors, agents and managers. A negative

experience can result in an uncomfortable situation on the customer's side, leading to significant risks for the company, such as the loss of profits.

Sales agents

To understand the proper sales strategy that each firm must consider, firms must first be aware of the demand segment according to the offer and, second, underline the characteristics of the product or service offered. This should be done from specific figures trained for that purpose: sales agents.

The sales force must apply a different strategy for diverse customers; the purpose is to convince the client to buy the product or service. For this reason, agents should be very experienced in their job but also determined, persistent, and optimistic, knowing everything about the product they have to sell.

To offer their customers the highest quality possible, companies must focus on a sales orientation; they should continuously improve the product offered to convince the buyer of the good benefits of the features. The central core of any business is to sell. For this reason, sales agents should be experts in what they are doing, respecting the needs and wishes of the buyers, which could change based on the country and culture. Handling the relationship with clients properly and listening to their needs are very important because they will create a positive impression of the company.

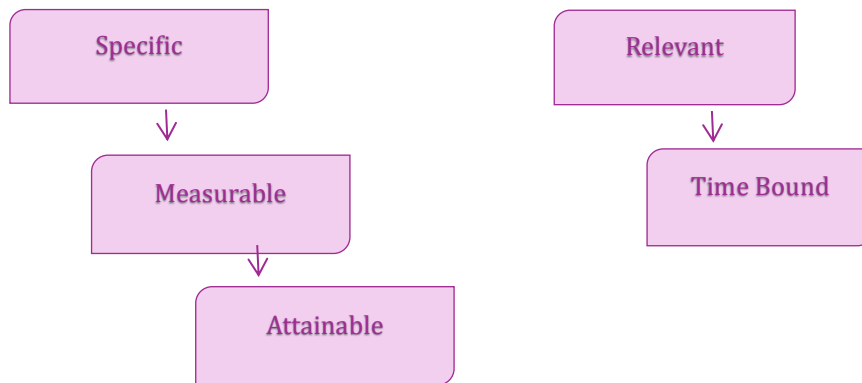
To have a good relationship with the clientele, marketing agents should be trained to explain to buyers the characteristics that differentiate one product or service from another (Bosworth, 1994). Careful attention must be paid to communication: sellers must tell the buyer everything that concerns the products; clients will return to them for the promoters' competencies.

When dealing with this, observation must be made of the distinct consumers: children, adults, and older adults have different desires and needs depending on their sex, occupation, income, character and ethnicity. Agents must correctly identify customers' expectations and intervene when customers change their tastes (Radu et al., 2020).

As cited, companies consistently enrich communication with consumers and promote new products on the markets, increasing revenue. The degree of enjoyment of customers is indeed a chance for the firm to attract new potential buyers. (Anghel, 2016).

The marketing department is the only branch of companies that generates revenue, so it must propose *specific, measurable, applicable, realistic, and time-limited objects (SMART objects)* (Free Management eBooks, n.a.).

Figure 4. SMART objects.



Source : Vasciuc et al. (2020).

Working on this crucial matter, sales agents must acquire skills and knowledge suitable for observing clients' behaviour and need to interact with them successively.

Miller and Heimon (1989) expressed a difference between two sales methods: the *unilateral* and the *bilateral*. While the *unilateral* sale method principally requires a focus on the product presentation and, additionally, on its features, the seller should ignore the customer's actual purchasing motives. The fact is that this method does not allow an authentic exchange of information, and so does effective communication (Miller & Heimon, 1989). In the *bilateral* sales method, partners (the vendor and potential customer) are involved in the communication process. The seller must analyse reasons and needs, making a presentation focused on the new buyer (Miller & Heimon, 1989).

4 HOW AND FROM WHERE ARE INTERNATIONALIZATION PROCESSES INFLUENCED

4.1 Introduction

The following pages will discuss how cultural diversity poses challenges and opportunities for managing strategies influenced by cultural variations and national differences.

The relationship between uncertainty avoidance (where people rely on norms and rules to avoid future threats) and power distance (the extent of inequality among individuals) appears inconsistent and context-dependent. Cultural dimensions interconnect, forming a complex response to Corporate Social Responsibility (CSR) initiatives.

Recent studies have adopted a meso-level paradigm linking macro and micro concepts to develop integrated organisational theories. Cultural values, representing stable beliefs about what is important, are considered macro-level concepts, while social beliefs that reflect an individual's perception of reality are viewed as micro-level concepts.

The relationship between influence strategies and social beliefs, influenced by cultural contexts, plays a crucial role. Strategies can be persuasive, assertive, or relationship based.

Various studies indicate that while persuasive strategies are most used and effective, assertive strategies may instead evoke resistance. National cultural dimensions like uncertainty avoidance, in-group collectivism, and future orientation impact the preferred influence strategies.

Cultural differences impact negotiation habits and logical thinking patterns, influencing negotiation success. Psychological aspects and social environments affect negotiation outcomes, emphasising the importance of understanding legal regulations and social customs.

Formulating a marketing strategy for international expansion requires addressing cultural barriers. Understanding cultural differences is crucial for an effective global marketing strategy that includes advertising, branding, and consumer behaviour. Embracing cultural diversity may enrich global strategy and foster a more interconnected world.

4.2 Strategies are influenced by different cultures and different countries

Having different cultures means managing different strategies influenced by cultural diversity and other nations. Diversity presents indeed both positive and negative contributions to the function of organisations.

It has been known that having an explicit and focused strategy (Porter, 1980; Ansoff, 1965) is vital for companies, and they should include the missions, goals and objectives that a firm wants to pursue. Following a strategy means distinguishing an enterprise from others (Kohut & Segars, 1992) and communicating and making yourself known through the annual report, specifically the narrative part (Yuthas et al., 2002).

The influence of individual dimensions of national cultures is interconnected with other dimensions, resulting in a structure that creates a complex response to certain *Corporate Social Responsibility (CRS)* initiatives.

4.2.1 Cultural values and social beliefs

Recent years' studies (Rousseau & House, 1994; House et al., 1995; Hackman, 2003) have adopted a meso-level paradigm that links macro and micro concepts to develop integrated theories of organisations, referring to cultural values as macro-level concepts, while social beliefs are considered micro-level concepts.

Sagie and Elizur (Sagie & Ellisur, 1996) studied that beliefs represent an individual's perception of reality. In contrast, values are more stable and long-lasting beliefs about what is essential. Hayden stated in 1988 that cultural values are not beliefs but "cultural criteria or evaluative standards for judgment". Beliefs, instead, might be more beneficial than values in explaining cross-cultural differences in individuals' behaviour (Leung et al., 1995).

Based on various studies and papers, sharing the same culture implies some expected behaviour. However, an individual's behaviours may be incongruent with the shared cultural beliefs and norms (Rohner, 1984).

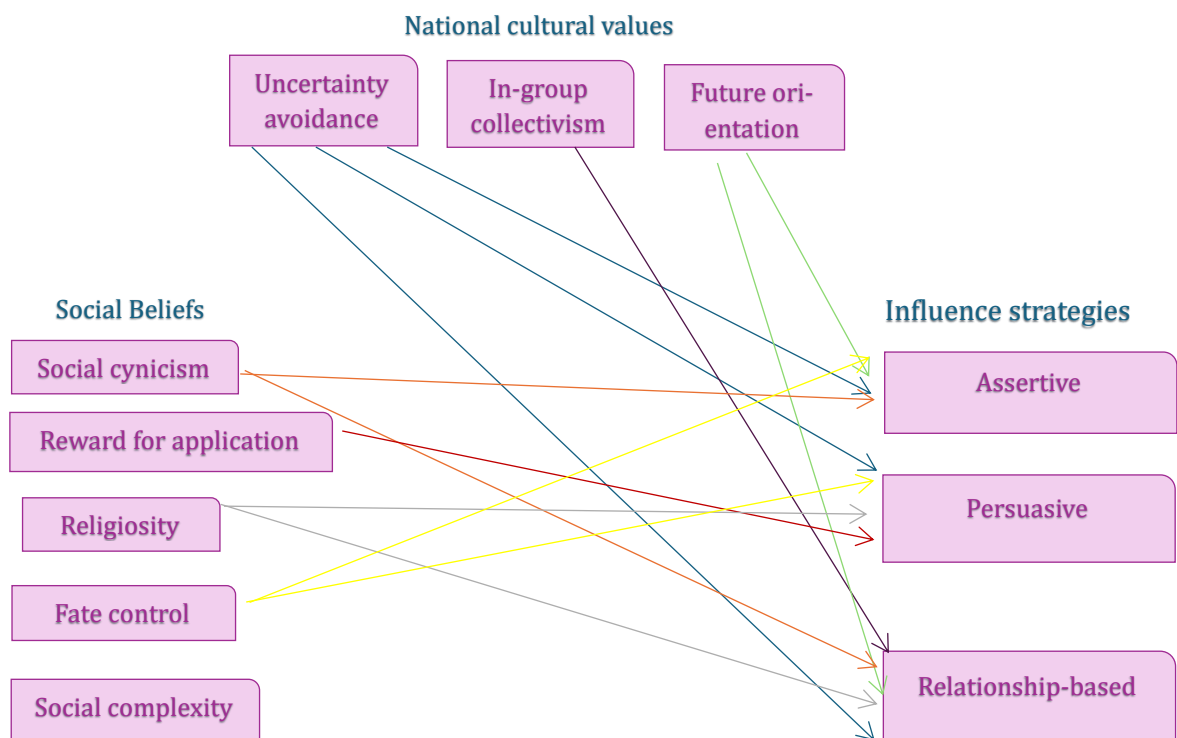
4.2.1.1 Theory of reasoned action

In the “theory of reasoned action”, also known as the “Fishbein behavioural intentions model or the theory of planned behaviour” (Ajzen & Fishbein, 1980; Ajzen, 1996), it is suggested that people consider the consequences of their actions before deciding whether to engage in particular conduct. This theory helps to discover the relationship between three variables: influence strategies, individual social beliefs, and societal cultural values.

4.2.1.2 Theory of the influence behaviour

Applying the theory of influence behaviour, individuals’ belief structure will shape their perception of influence strategies that are more likely to yield successful outcomes. This perception enhances these strategies’ effectiveness, fostering a positive attitude toward them. The awareness of these strategies’ effectiveness is influenced by social beliefs (social cynicism, reward for application, fate control, religiosity, social complexity) and the cultural context in which they operate (uncertainty avoidance, in-group collectivism, future orientation). The influence strategies can be divided into three main categories: the *persuasive strategy*, the *assertive strategy*, and the *relationship-based strategy*. Figure 5 shows the relationship among the three variables.

Figure 5. Model the relationships among national cultural values, social beliefs, and influence strategies.



Source: Fu et al. (2004).

The persuasive strategy involves rational persuasion, meaning the persuasion of the client through logical arguments and compelling evidence; inspirational appeal, emotional appeal to the customer's values or ideas; and consultation, that is, seeking the target's contribution or involvement. With a persuasive strategy, managers focus on the benefits of the request and provide reasonable arguments.

In using the *assertive strategy*, managers must *persist* (repeatedly urging the target to fulfil a request), *pressure* (constantly pushing the client with demands and threats), and *make an upward appeal* (seeking help from higher authorities). When implementing this strategy, managers influence the targets by exercising pressure.

The *relationship-based strategy* encompasses various approaches, including *offering gifts, informal engagement, personal appeals, socialising, and exchanging favours*. With this strategy, managers aim to establish or leverage positive social relationships to influence the customer.

Earlier studies (Kennedy et al., 2003; Van Knippenberg, B. and van Knippenberg, D., 2003) found that while the most used and practical approach is the *persuasive strategy*, the *assertive strategy* is characterised by evoking resistance.

4.2.1.3 Shared beliefs

Based on an empirical finding across over 40 countries, *Leung and Bond* (2004, in press) have identified five dimensions—*cynicism, reward for application, religiosity, fate control, and social complexity*—as universally shared beliefs that characterise individuals and correlate with variations in people's behaviours. According to *Leung and Bond* (2004, in press), people who share these dimensions of social beliefs also address similar challenges.

The individual belief structures may view specific influence strategies as more effective than others, leading to successful outcomes. The connection between the influence actions and the five dimensions of shared beliefs will be discussed further:

1. cynicism is viewed as unfavourable, supported by power's motivations and negative stereotypes of certain groups. Directors who support cynicism adopt aggressive approaches driven by manipulation;
2. reward for application refers to the belief that making efforts will turn in a positive outcome;

3. religiosity refers to the belief in supernatural forces and religious institutions which promote benevolence in interacting with others, leading to mutually beneficial outcomes;
4. Fate control means that life can be predictable and is predetermined by fate and destiny, implying that people have little control over what happens to them. Managers who hold these beliefs are likely to perceive themselves as controlled by external forces, thereby being less confident in influencing others;
5. social complexity pertains to organisations that recognise this complexity and use diverse influence strategies depending on the context.

Strategies such as socialising and giving gifts could not be effective because, in some cultures, they might be perceived as inappropriate.

People are more likely to perceive a strategy as effective when their beliefs align with society's values. The influential strategy is affected by micro-level variables: individual social beliefs, macro-level factors, and national cultural values.

4.2.1.4 *Values and practices*

The GLOBE (House et al., 1999; Jaccard, 1981) study differentiates between *values* and *practices*, which are separate manifestations of culture. Three dimensions of national cultural values are considered regarding different influence strategies.

1. Uncertainty avoidance encompasses people's acceptance of varying situational demands, openness to changes, and success with risks (Hofstede, 1980; House et al., 1999). In cultures characterised by high uncertainty avoidance, rigid structures diminish individuals' confidence in relying on their efforts to influence others through logical arguments or consultation. Consequently, they are less likely to view persuasive strategies as effective; managers, to be more effective, may seek assistance from higher authorities. Supporting this theory, Schmidt and Yeh in 1992 discovered that managers in Taiwan and Japan (both with a high uncertainty avoidance culture) favoured assertive strategies, whereas managers in low uncertainty avoidance cultures, such as Australia and the USA, opted for persuasive strategies;

2. in-group collectivist cultures define the 'we' identity, value group goals and collective needs, emotions depending on the society, and respect the 'I' individualistic concept. Managers opt to establish and focus on relationships-based strategies, while individualistic countries are likely to prefer persuasive strategies;
3. future orientation refers to long-term results opposite to short-term gratification. Future-oriented cultures promote building relationships through talent cultivation, sacrificing short-term revenue for continuing advantages. On the other hand, past- and present-oriented cultures might focus more on tasks and have less patience when socialising. Two authors in 2000 found that Chinese managers (future-oriented) opted for relationship-based strategies, like giving gifts. In contrast, the USA (short-term culture) chose a more persuasive approach.

4.2.2 National corporate governance and national culture

4.2.2.1 Elements of national culture

The five elements belonging to national culture are:

- uncertainty avoidance. The dimension describes whether individuals in a society can handle uncertainty about the future or unfamiliar situations. Poland and France are the most uncertainty avoidance countries, where the strategy disclosure is more significant than in the UK;
- power distance. Power distance is the extent to which a society recognises and accepts that people are unequal. Countries with high power distances, such as France and Poland, typically have lower levels of disclosure compared to the UK, the Netherlands and Germany, which have lower power distances;
- masculinity vs. femininity. It addresses the division between sexes in a society. Societies with distinct gender roles are masculine, like Poland, Germany and the UK. They tend to prioritise progress and growth, leading them to disclose the strategies better. Opposite, there are feminine cultures that are focusing more on the environment and social issues, having a small strategy disclosure;

- individualism vs. collectivism. This dimension describes the relationship among individuals in a society. While companies in individualistic countries tend to disclose more on the strategies, the collectivistic ones, such as Poland, disclose less;
- Long vs. short-term orientation (Confucian dynamism). The purpose is to identify the different time orientations. Investors and stakeholders from short-term orientation cultures demand higher disclosure and transparency in the strategies. Long-term orientation societies (the Netherlands, for example) have a small degree of disclosure instead.

The relationship between *uncertainty avoidance* (when people feel threatened by the future and rely on norms and rules to avoid it) and power distance (when there is a lack of equality among human beings) is inconsistent and highly dependent on specific cultural contexts.

4.2.2.2 *National corporate governance*

The level of strategy disclosure in the different countries is determined by comparing national corporate governance and national culture. Part of the national corporate governance might be:

- board of directors. The composition, structure and role of this can differ based on the specific country; for instance, companies in the Anglo-Saxon region (UK) are supervised by one board, Germany, Poland and the Netherlands by two-tiered board (manager and supervisor). At the same time, France is characterised by both boards, depending on the firm. In nations with dual board systems, the stakeholders are also represented; they can get all the information. Therefore, the strategy disclosure will be more minor;
- equity ownership structure. It concerns the differences in the degree of ownership concentration and distribution of shares among different shareholder groups. The more a company's equity is concentrated in a country, the less need to disclose the strategy;
- market for corporate control. The market for corporate control represents a governance mechanism, functioning as a 'court of last resort' for underutilised assets. It plays a crucial role in ensuring the efficient reallocation and utilisation of resources. France and the UK are nations with an active market for corporate control. This

information is broadly accessible (Elliott & Jacobson, 1994), and the extent of the strategy disclosure is excellent;

- legal system. An aspect of the corporate governance system is how a nation's laws protect stakeholders' rights and how effectively these laws are enforced. Significant differences exist across countries regarding the degree of investor protection. More robust protection and enforcement foster higher levels of transparency and accountability. Companies in countries such as the UK, with solid investor protection laws, disclose more information to their investors and stakeholders than those in Germany, the Netherlands, France, and Poland, where investor protection is weaker.

4.2.2.3 National culture and corporate governance in annual reports

The following study extends the research conducted by Santema and Van de Rijt (2001), which focused on the disclosure of strategy among Dutch firms, to a broader European context. The research aims to examine whether there are differences in the extent of strategy disclosure among companies from various European countries and different cultures. The trade companies under investigation were 100, belonging to five European countries, taking into consideration the Netherlands, Germany, France, the UK, and Poland.

Table 2 summarises the elements that apply to national culture and corporate governance, while the expectations for the mentioned components are in Table 3.

Table 2. Evaluation of national differences.

Corporate governance	Culture
- Board of directors	- Uncertainty avoidance
- Equity ownership structure	- Power distance
- Market for corporate control	- Masculinity vs. femininity
- Legal system	- Individualism vs. collectivism
	- Long- vs. short-term orientation

Source : Santema et al. (2005).

Table 3. Prediction matrix.

Corporate governance	UK	France	Germany	The Netherlands	Poland
Board	+	+/-	-	-	-
Equity ownership	+	-	-	+	+
Takeovers	+	+	-	-	-
Legal system	+	-	+/-	+/-	-
<i>Culture</i>					
Uncertainty avoidance	-	+	+/-	+/-	+
Power distance	+	-	+	+	-
Masculinity/femininity	+	+/-	+	-	+
Individualism/collectivism	+	+/-	+/-	+	-
Long/short-term orientation	+/-	+/-	+/-	+/-	+/-
Ranking	1	2	3	4	5

Notes: + → high/more disclosure; - → low/less disclosure; +/- → medium disclosure

Source: Santema et al. (2005).

Variations in corporate governance and cultural norms across nations impact the extent of strategy disclosure adopted by organisations. To guarantee the stakeholder's satisfaction, companies should tailor their strategies disclosure to meet the expectations of the various concerned parties. Particularly when expanding internationally, it is crucial to recognise that foreign stakeholders, compared to domestic ones, might have different preferences on disclosure.

4.2.3 Cultural differences and marketing

Cultural differences significantly impact business strategy, especially communication, branding, and consumer behaviour. Marketers should recognise these differences and adjust their approach to each country they penetrate. The most challenging passage is related to the language barrier; it could represent an obstacle in effectively communicating the brand message, product features and various benefits. In addition to the language, advertising and promotion strategies are also significantly influenced by the different markets and cultures. For instance, humour is effective in some cultures but may be inappropriate in others. Similarly, while using celebrities in advertising may be suitable in certain countries, employing local influencers and opinion leaders is more effective in others.

As mentioned before, cultural differences significantly influence international marketing strategies; thus, for companies to effectively sell their products or services, it is essential to understand the cultural nuances of various regions, like languages, beliefs, values, and traditions. It is also

crucial to comprehend that marketing channels vary from market to market. For example, popular social media platforms in one region may not be as widely used in another. Consequently, companies must adapt their marketing strategies to these cultural differences.

Another fundamental aspect that varies is consumer attitude. The prioritisation of price, quality, or brand reputation can distinguish this variation.

Despite enriching business through unique perspectives, values, and behaviours, diversity challenges enterprises operating internationally. Cultural intelligence (CQ) is a factor that helps organisations develop more flexible business strategies and effectively embrace cultural diversity, ultimately contributing to successful international strategy.

The impact of multiculturalism on global business strategies is profound and multifaceted. From marketing to negotiation, leadership to supply chain management, and talent retention, understanding and adapting to cultural nuances is indispensable: the context of diverse cultures worldwide is, indeed, challenging, shaping, and enriching business strategies.

Cross-cultural communication is crucial when discussing effective global marketing strategies. How messages are perceived differs across cultures, particularly in high- and low-context cultures. Companies must be attentive to cultural awareness and sensibility to avoid misunderstandings during business negotiations and partnerships. Additionally, marketing strategies must be aligned with local tastes, values, and traditions, keeping the legal environments in mind as the nations' unique set of laws and regulations.

Cultural differences are, for instance, the most challenging part of business negotiations. Variations in negotiation habits and logical thinking patterns can arise due to diversities between countries. Psychological and social environments are two factors that influence the negotiation and may lead it to success. While the psychological aspects involve spying and anticipating the other party's moves in the talks, the components of the social environment consist of the pre-negotiation preparation, like understanding the relevant legal regulations and social customs.

Technology has been crucial in globalisation, bridging the distance between nations and continents. As a result, countries are now closer and more interconnected than ever.

Globalising the world's economy drives companies to become global players, investing resources across borders (Ocansey & Enahoro, 2014). Many firms, ranging from medium to large scale and in both emerging and already

developed markets, are expanding their production and marketing activities around the globe.

When enterprises expand across international borders, they should formulate a marketing strategy that addresses cultural barriers, such as language, food, clothing, beliefs and practices.

Cultures are a great challenge for global marketing. Enterprises, before penetrating a new market and having a competitive edge, must understand the various cultural and subcultural differences as, for example, the contrast between West Africa and East Africa, that can result in a difference in the advertising, trade policies, brand effectiveness, localisation and standardisation strategy decisions, international negotiation, business relationships, business management, consumer behaviour and global marketing (Darley et al., 2013). Hofstede then indicated five cultural dimensions (individualism vs. collectivism, long-term vs. short-term orientation, power distance, masculinity vs. femininity, and uncertainty avoidance) (Hofstede & Minkov, 2010) essential to comprehend when formulating the entry strategy. Additional elements that marketing managers should consider for the successful formulation and implementation of global marketing strategies include language, religion, values and attitudes, education, social organisations, law and practices (Ahmed et al., 2014).

As reported by Jiang and Wei in 2012, there is no optimal standardisation strategy for multinational companies. Instead, a combination of localisation and standardisation strategies is required, depending on the convergence of cultural elements.

In a study conducted in Nigeria, Ekerete (2001) concluded, in agreement with the previous statement, that culture significantly impacts the marketing strategies of worldwide enterprises, affecting distribution, pricing, product offering, and promotion. The most influential cultural elements identified were language, religion, beliefs, and ethnic values. An example is made by Jawal (2014) about the automobile industry. He emphasised that firms expanding globally should consider the cultural influences on their products. This consideration is crucial due to variations in people's fashion, taste, and demand. The cultural impact on car consumption has shifted from purely an economic choice to one driven by emotional and aesthetic preferences.

In summary, embracing cultural diversity enriches a company's global strategy and contributes to a more interconnected and understanding world.

5 DIFFERENT CUSTOMER SERVICE EXPECTATIONS

5.1 Introduction

This section explores the widespread adoption of digital technologies and media in which enterprises engage with customers. However, the increased prevalence of digital organisational structures, technology utilisation, and customer journeys' characteristics present considerable variation across the various global markets.

The contemporary expansion of innovative digital technologies is revolutionising how clients seek information, evaluate different offers of products and services, make purchases, interact with companies, and engage with other customers. Nowadays, individuals interact with many organisations and people through various online touchpoints, encompassing multiple media and channels. These digital interactions vary significantly across the worldwide market, continuously switching between online and offline channels.

Lemon and Verhoef (2016) define the customer journey as the customer's experience with a company across different touch points throughout the purchase stages. Analysing the customer journey within different markets provides valuable insight into understanding how clients use diverse touch points. The shopper experience pathway is typically described as a three-stage process: pre-purchase, purchase, and post-purchase.

Customer touchpoints are firm-owned, partner-owned, and social contact points. Firm-owned touchpoints are under the company's control. Partner-owned interaction points involve customer exchanges jointly managed by the firm and its partners. Social engagement points, where other clients influence client interactions, include activities on social media platforms and online reviews on apps like Amazon, TripAdvisor, and Yelp.

Technology-driven touch points are increasingly shaping consumer interactions. New technologies like augmented reality (AR) and virtual reality (VR) are transforming customer experiences by reducing information uncertainty. These emerging technologies introduce an interactive, immersive, and personalised customer journey experience.

Perceptions, evaluations, choices, and susceptibility to social influences and norms are shaped by different cultural backgrounds. Consequently, differences in the customer journey across the world are noticeable. Comprehending these cultural nuances enables a high degree of personalisation in-service experiences, enhancing customer satisfaction.

In summary, the success of global enterprises increasingly depends on their ability to understand and adapt to the diverse cultural, socioeconomic, and technological landscapes of their customer base, thereby enhancing service quality and fostering customer satisfaction.

5.2 How the customer expectations change based on the country

The widespread adoption of digital technologies and media transforms the landscape in which enterprises engage with customers. However, the increase in digital organisational structures, technology utilisation, and customer journeys' characteristics present considerable variation across different global markets.

The contemporary expansion of innovative digital technologies is revolutionising how clients seek information, evaluate different offers of products and services, make purchases, interact with companies, and engage with other customers. Nowadays, individuals interact with many organisations and people through various online touchpoints, encompassing multiple media and channels. In this digital environment, interactions vary significantly across the worldwide market. People continuously switch between online and offline channels, even within an economic market.

Lemon and Verhoef (2016) defined the customer journey as the customer's experience with a company across different touch points throughout the purchase stages. Analysing the customer journey within different markets provides valuable insight into understanding how clients use diverse touch points.

5.2.1 *The shopping experience pathway*

The shopper experience pathway is described as a three-stage process: the pre-purchase, the purchase, and the post-purchase.

The pre-purchase stage includes customer interactions, such as identifying needs, discovering new products or brands, searching for information, and evaluating alternatives. Buyers begin their journey driven by utilitarian or hedonic motives (Babin et al., 1994), engaging in a product search to reduce uncertainty, often relying on extrinsic cues such as brand credibility and information from social sources.

The following step, the purchase, involves client interaction with multiple platforms, encompassing processes focused on choices, ordering, and payment (Lemon & Verhoef, 2016).

The last phase of the three-stage process of the customer experience, the post-purchase, comprises all the interactions with the platform made after the purchase. Examples are consumer behaviour, post-purchase engagement, word-of-mouth (WOM) through positive reviews, and similar activities.

5.2.2 Different touchpoints

The three main categories of touch points are firm-owned, partner-owned, and social contact points.

Firm-owned touch points are interaction points that are under the company's control. Some examples are websites, brand social media channels, email marketing, and loyalty programs.

Partner-owned interaction points involve customers' joint management by the firm and its partners. Partner-owned interaction points include platforms such as different search engines, display advertising, price comparison websites, and source websites, where companies partner with associates, e.g. marketing agencies and communication channel partners.

Social engagement points are those where other clients influence the client interactions. Social touchpoints include social media platform activities and online reviews on apps like Amazon, TripAdvisor, and Yelp.

5.2.3 New Technologies Used

Customer interaction points might also be technology-driven. New technologies are shaping the way consumers interact with each other, transforming their experiences. In addition to apps, augmented reality (AR) and virtual reality (VR) create a new experience for users, reducing information uncertainty and search costs (Hall & Takahashi, 2017). These new and emerging technologies introduce an interactive, immersive, and personalised customer journey experience.

Perceptions, evaluations, choices, susceptibility to social influences and norms are shaped by different cultural backgrounds (Hofstede, 1980; Hofstede, 1991; Hofstede, 2001); therefore, differences in the customer journey across the world can be noticed. For instance, the Chinese consumer path is slightly different from that of the Western one. Chinese customers interact with multiple touch points under major online hubs such as sites,

games, videos and e-commerce platforms like Taobao and Alibaba's marketplaces. In contrast, Western customers are interacting more with individual touch points belonging to disparate brands and platforms.

These differences are predominately due to sociocultural factors, leading to significant differences in e-commerce platforms and digital marketing strategies between Eastern and Western cultures. Understanding these cultural nuances enables a high degree of personalisation in-service experiences, increasing customer feedback.

While in the West, brands typically have standalone websites and engage with customers through brand-owned touch points, in China (and Eastern cultures), brands often opt for centralised hubs, emphasising this way customer engagement (Briggs et al., 2017a). In China, individuals constantly exchange between online and offline touch points. Also, Chinese enterprises emphasise qualitative feedback, whereas many companies in the West prioritise quantitative feedback, like Amazon star ratings (Briggs et al., 2017c).

Chinese platforms use many bots, artificial intelligence (AI), and machine learning to process real-time data from social media, purchase transactions and customer feedback, enhancing the ability to obtain greater customer intelligence on preferences and satisfaction.

Discrepancies also emerge in consumer perceptions of brand importance and social influence. For example, Japanese buyers prefer premium brands, making Japan the second-largest luxury market globally, yet they exhibit reluctance toward private-label brands (Salsberg, 2010). Chinese consumers prioritise brand perception and societal views more prominently than their U.S. counterparts (PWC, 2018a).

Moreover, social influence plays a significant role in the consumer journey in Japan and China. A study (Wernau & Woo, 2019) highlighted that social media influences 68% of Chinese and 45% of Japanese consumers in purchasing decisions, whereas only 38% of Americans and 33% of Germans report similar influences. In China, influencer marketing through live streaming has become a dominant advertising strategy, contrasting with the U.S. and Europe, where social media influence campaigns rely on posts and short videos on platforms like Instagram and YouTube (Wernau & Woo, 2019).

These examples show the impact of cultural and socioeconomic factors on the digital customer journey.

5.2.4 Customer lifecycle

The customer lifecycle is a series of interrelated motivating processes, including shopping motivation, information search, technology adoption, numerous channels, and the post-purchase phase. Also, these motivating processes are influenced by cross-cultural, socioeconomic, and privacy factors.

- **Shopping motivation**

As mentioned before, individuals, when starting their purchase journey, are driven by two main motivations: utilitarian and hedonic (Babin et al., 1994; Childers et al., 2001).

- Utilitarian motivation involves fulfilling consumer's needs by emphasising efficiency and convenience;
- Hedonic reason considers shopping as an intrinsically enjoyable experience.

Hedonic shopping motivations encompass several dimensions, including adventure shopping (seeking stimulation and adventure), social shopping (using shopping as a social activity), gratification shopping (consumers special treat), idea shopping (keeping up with new trends), role shopping (shopping for others), and value shopping (bargain hunting) (Arnold & Reynolds, 2003). Customers driven by hedonic motivations are more likely to share positive WOM, exhibit higher loyalty, demonstrate repurchase intentions (Jones et al., 2006), engage in higher levels of impulsive shopping, and purchase a larger volume (Yim et al., 2014) compared to those driven by utilitarian motives.

Authors (Briggs et al., 2017a) state that Chinese customers participate more in online hedonic shopping than Western consumers. In China, online shopping serves as entertainment and adventure, whereas in Western cultures, it is more convenient and efficient.

Clients from collectivistic cultures engage more frequently in online shopping than those in individualistic cultures.

Experts argue that shopping motivations not only differ across cultures but also vary between generations.

According to a report (Francis & Hoefel, 2018), Generation Z (individuals born between 1995 and 2010) show distinct shopping behaviours relative to other generations, being the first digital natives who grew up with social

media and smartphones. This young, tech-savvy generation navigates thoroughly online communities, engages more in online social interactions with friends, and is willing to pay a premium for brands that support social causes (Francis & Hoefel, 2018).

Furthermore, social shopping motivation is more significant in emerging markets than in mature ones.

- **Information search**

Individuals in high uncertainty avoidance cultures are more inclined to process information to ameliorate stability and predictability (Akdeniz & Talay, 2013). They are, however, reluctant to adopt new products and ideas (Singh, 2006; Yeniyurt & Townsend, 2003) and be innovative (Steenkamp et al., 1999).

Consumers from high uncertainty avoidance and collectivistic cultures spend lots of time seeking information through product and review searches in the pre-purchase phase (Gupta et al., 2018; Sweeney et al., 1999), in contrast to consumers with low uncertainty avoidance and individualistic culture.

Perceived uncertainty is another factor influenced by cultural background. Moreover, the influence of brand credibility on product evaluation is more substantial in collectivistic cultures than in individualistic ones. Thus, in the Chinese collectivistic culture, establishing a credible brand through platforms like Taobao and Tmall that integrate multiple functions under a single brand is crucial. In contrast, the U.S.A., characterised by individualism and low uncertainty avoidance, presents numerous independent touch points initiated by individual brands.

The effect that information from different sources has is more evident in high uncertainty avoidance and collectivistic cultures. For instance, they evaluate more reviews from members belonging to the group than outgroup members (Money et al., 1998). On the other hand, people in individualistic societies typically rely on various sources, including media (De Mooij & Hofstede, 2011; Goodrich & De Mooij, 2013).

Cross-cultural factors also have implications in the post-purchase stage, such as the service expectation and how they perceive the price.

With high power distance and uncertainty avoidance, consumers emphasise trust in the customer-seller relationship (Lund et al., 2013).

In a collectivistic culture, clients tend to prioritise price and reputation, while the opposite individualistic cultures focus on service, communication, and customisation (Nguyen & Nielsen, 2014).

During the post-purchase step, people in collectivistic cultures (China, in particular) share more in-depth and qualitative reviews (Briggs et al., 2017c), resulting in positive reviews.

- **Technology Adoption**

Scholars have found some evidence stating that multiculturalism plays a massive role in the adoption of new technologies, such as the usage of virtual agents. According to a 2018 survey, customers in emerging markets additionally embrace virtual agents: 52% of Chinese consumers and 60% of Brazilians, against 25% in the U.S.A. and 24% in the U.K.

Ultimately, acquiring technology-driven touchpoints results in higher in emerging markets compared to more mature economies.

A difference in buyers can be noticed in their adoption of technology-driven touch points and their interactions with these touch points.

Given these cultural differences in the utilisation of technology and interaction patterns, AR likely serves collectivistic societies more effectively in the purchase decision process than individualistic cultures.

- **Numerous channels**

Diverse cultural environments influence the implementation of varied multichannel shopping behaviours, mainly between high and low-uncertainty avoidance ethnic groups. While high uncertainty avoidance ethnicities are less innovative in adopting new channels (Singh, 2006; Yenyurt & Townsend, 2003) and are less likely to engage with multiple channels, low uncertainty avoidance cultures are the contrary (Kumar & Pansari, 2016).

Customers from cultures with low uncertainty avoidance and individualistic tendencies demonstrated multichannel and omnichannel behaviours. Meeting their needs and expectations might present challenges but also significant business rewards. Additionally, socioeconomic and legal factors such as privacy regulations play crucial roles, interacting with cultural dimensions and influencing the customer experience.

- **Post-purchase phase**

The success in profits of businesses worldwide directly depends on client satisfaction; a satisfied customer, due to both price and quality, leads to an increase in sales that, consequently, means higher profits. Nowadays, because of worldwide competition, satisfying clients is becoming a priority.

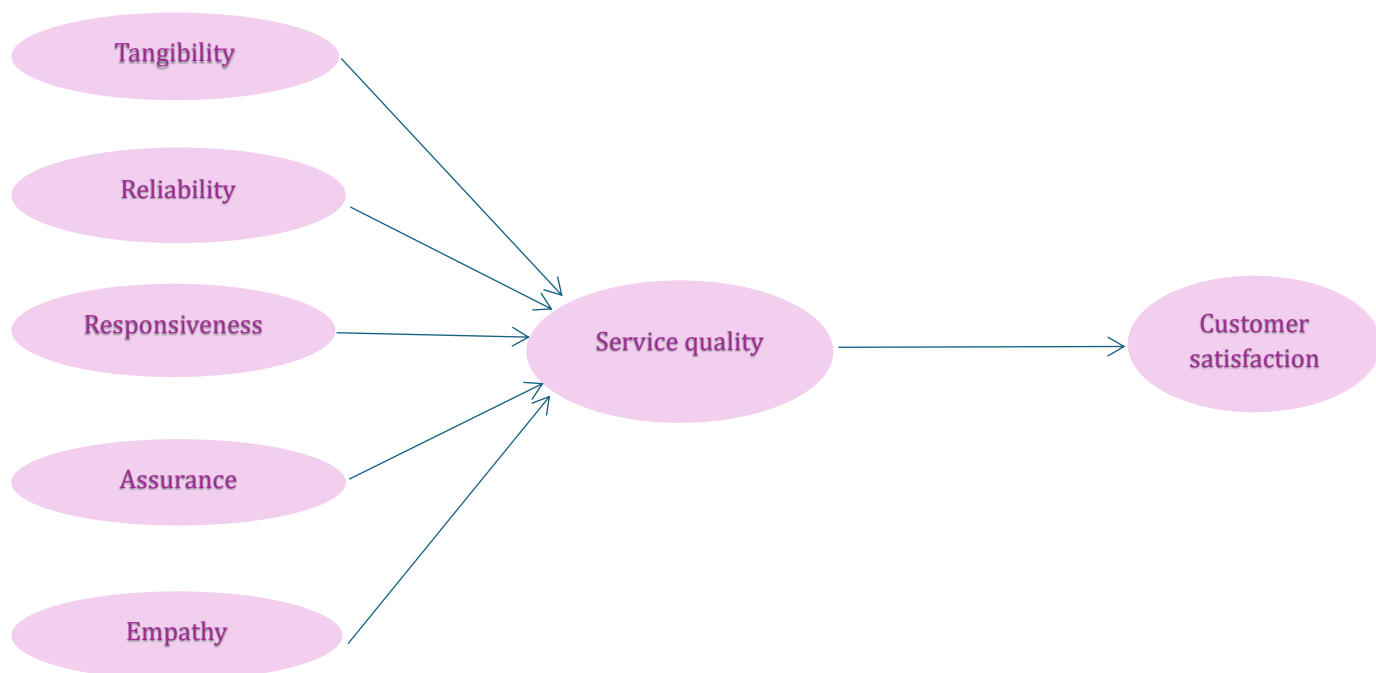
Studies claim that a positive and robust relationship can be seen between the quality of service and customer trust.

Organisations experience growth because of customer loyalty (Anwar & Louis, 2017). Furthermore, there is a strong correspondence between customer loyalty and customer satisfaction, as customer loyalty is not expected to manifest without customer satisfaction. Based on Tahanisaz and Shokuhyar (2020), customer satisfaction is an individual's perception or feeling about a specific service or product received compared to their expectations.

In today's competitive industry, buyers play an essential role in influencing the quality of the service they receive (Nunkoo et al., 2019).

User satisfaction depends on service quality (important for both client and business owners), which comprises tangibility, reliability, responsiveness, assurance, and empathy.

Figure 6. The five dimensions of customer satisfaction.



Source: Balinardo et al. (2021).

Retail service interactions frequently involve extensive personal contact between sales agents and customers. This interpersonal connection is essential since it can influence the customer's perception of service quality, satisfaction with their purchase experience, and, at last, their future purchase intentions (Babin et al., 1995; Westbrook, 1981).

Quality is defined by the gap between clients' expectations and their actual experiences.

A definition from QFinance (2014) Clients' expectations are individuals' needs, ideas and wants about a particular product or service, all influenced by their perceptions generated by earlier experience, advertising, WOM, awareness of competitors and brand image.

In order to satisfy the buyers, sellers must recognise some requirements. Specifically, there are three different criteria:

- Revealed requirements: These are typically identified by directly asking customers about their desires and needs. These requirements influence buyers proportionally to their presence or absence in the product or service. An example can be fast delivery: the speed of it directly correlates with client satisfaction;
- Expected requirements: These are often fundamental details without which the product might lose value. For example, when coffee is served at an appropriate temperature, clients barely notice it. However, if it is served cold or extremely hot, it results in dissatisfaction. Meeting these basic expectations is crucial for customer satisfaction;
- exciting requirements: These are challenging to identify since they are beyond the buyer's expectations. Their absence does not cause discontent, but their presence creates gratification. For instance, serving caviar and champagne on a flight from Detroit to Chicago would be an unexpected pleasure. If not provided, people would not complain. These elements create a 'wow' factor in the customer and bring them back.

As Shahin and Dabestani (2010) stated, service quality is closely related to service experience, adding value to it.

According to Anwar and Abdullah (2021), two variables influence the customers' perception: expectation and quality standards.

As mentioned in Figure 6, the quality of the service is measured by five dimensions: tangibility, reliability, responsiveness, assurance and empathy (Anwar, 2017).

The tangibility dimension is the physical appearance of facilities, equipment, personnel, and communication materials.

Reliability illustrates whether a service supplier observes the promised commitment and the value of their actions. Its significance is promptly fulfilling people's requests (Hameed & Anwar, 2018). Reliability indicates the service provider's ability to deliver services dependably and accurately.

Responsiveness, the eagerness to offer assistance, is defined by the enterprise's readiness to provide fast service. Organisations must respond to all requests quickly; otherwise, these requests may be classified as complaints.

Assurance encompasses the ability of the employees to be trustworthy, inspiring confidence through knowledge and courtesy.

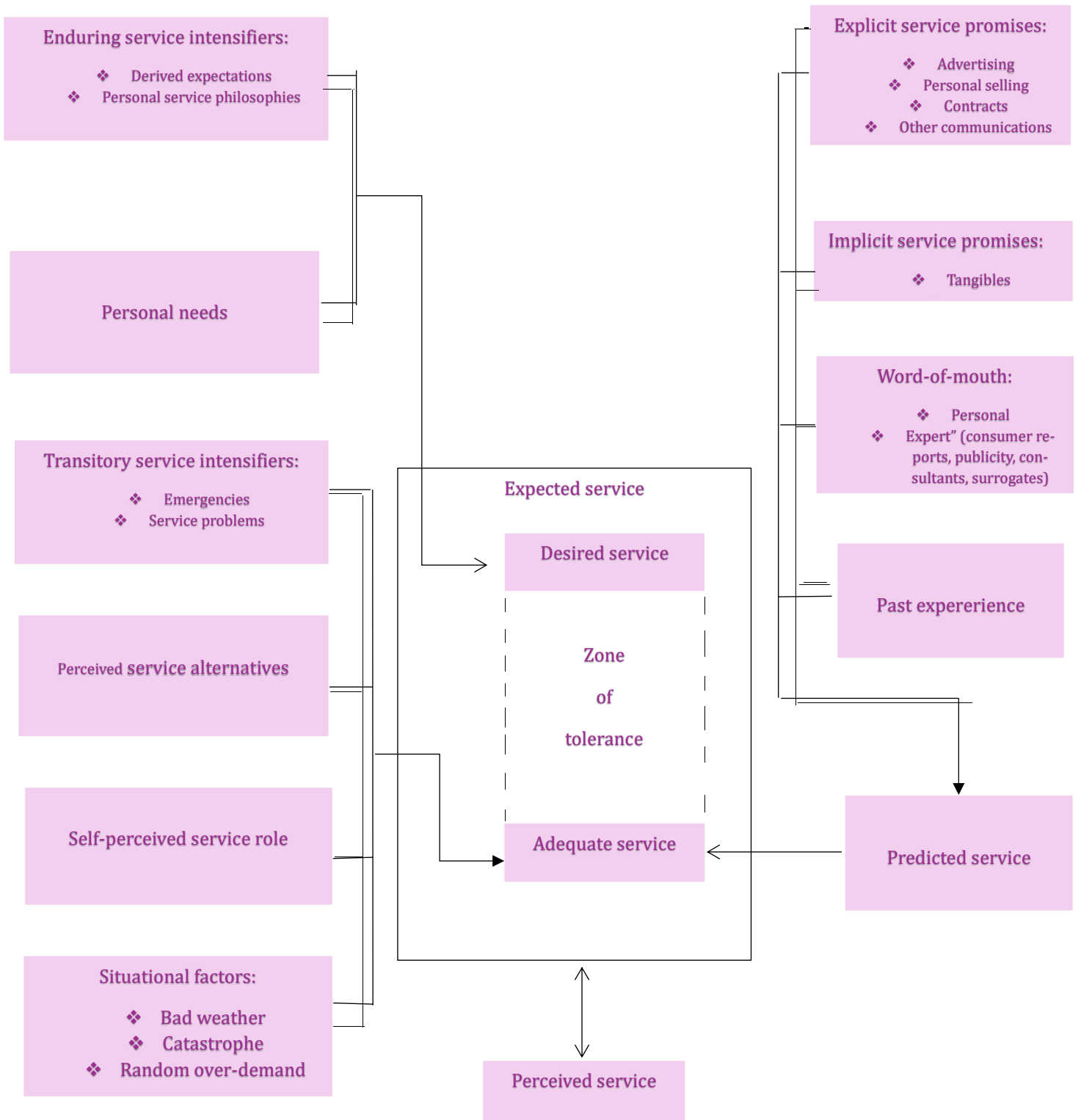
Nicolaides (2008) claims that service quality is achieved under the following conditions:

- employees take pride in delivering a service, associating their names with it;
- the service is delivered on time;
- customer needs are immediately and appropriately addressed;
- the delivered service exceeds the customer's expectations;
- service providers and employees are accessible when needed.

In 1997, Miller introduced a four-level scale of customer expectations, which includes the ideal level, "what can be"; the predicted level, "what will be"; the minimum tolerable level, "what must be", and the deserved level, "what should be".

According to various authors, Figure 7 presents the determinants of service customer expectations (Zeithmal et al., 1993).

Figure 7. Nature and determinants of customer expectation of service.



Source: Thai (2015).

Buttle (2014) highlights the importance of comprehending customer demands to enhance their satisfaction:

- the expectation they have varied over time;
- not all service quality attributes are influenced by consumer desires;
- clients typically have specific expectations for various service quality attributes, with the importance of these attributes changing;
- customer expectation is the basis for satisfaction;
- Each buyer has a limited tolerance zone.

Service performance relies on different factors, like previous experiences, word-of-mouth (WOM), personal needs, and the customer's national culture, with the most influential factor being the client's past experiences.

Furthermore, as Hofstede (1997) reported, individuals develop "mental programs" from early childhood experiences with the family and the social environment, such as friends, television and music. These mental programs partly influence behaviours and reactions in different situations. In customer service, cultural characteristics significantly affect interactions between buyers and staff.

Lastly, Anwar (2016) stated 2016 that "satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance or outcome about his or her expectation".

The customer journey and the quality of service are defined by the disparity between a customer's expectations and their perceived actual performance, which are also influenced by multiculturalism and different global settings.

6 METHODOLOGY FOR THE ANALYSIS OF MULTICULTURAL COMPANIES IN THE UK

This section focuses on designing a methodology for analysing multiculturalism in industries and companies in the UK.

6.1 Industries and companies' selection

Three different industries are selected for analysis and comparison:

- Fashion,
- Automobile, and
- Hospitality.

Then, it is selected a leading company from each industry:

- For the fashion industry, *Burberry's* luxury brand is considered.
- Regarding the automobile industry, the *Rolls-Royce* historic company is examined.
- Lastly, concerning hospitality the British multinational hotel and restaurant company and owner of Premier Inn-the UK's biggest hotel brand-, *Whitbread PLC*, is analysed.

The selection of industries is based on the findings of a significant amount of data. Moreover, each chosen industry plays a significant role in the UK's economy. These three sectors also strongly impact society and culture; in fact, they continuously evolve based on the customers' tastes.

The company's selection (Burberry, Rolls-Royce, and Whitbread PLC) is based on multiple reasons. Burberry and Rolls-Royce are iconic and prestigious brands in the UK. While the first symbolises luxury, the second represents excellence in the UK automobile industry. Regarding the hospitality sector, Whitbread PLC is chosen because after an attentive selection of this tremendous multinational hotels and restaurants company, also the owner of the UK's largest hotel brand Premier Inn, Whitbread PLC provides substantial data collection about cross-cultural skills in service and sales.

6.2 Data

Data for analysing the three industries are obtained through different reports available for the UK. Table 4 includes the sources for the data analysed in every sector.

Table 4. Sources of data used in the analysis.

Industry and company	Source
<i>Fashion industry</i>	<ul style="list-style-type: none"> • The UK Fashion DEI Report – from insight to delivery • Report by the Minority Report Group • Articles by The Guardian • Research from the MBS group and the British Fashion Council
<i>Burberry</i>	<ul style="list-style-type: none"> • https://www.burberryplc.com/investors/esg • Reports by the company • The website of the company
<i>Automobile industry</i>	<ul style="list-style-type: none"> • Reports elaborated by SMMT and the Institute for Motor Industry • Article from the Sunday times driving • Report by Insight by diversity task force • Report by Mission Automotive
<i>Rolls-Royce</i>	<ul style="list-style-type: none"> • Reports by the company • The website of the company
<i>Hospitality industry</i>	<ul style="list-style-type: none"> • Articles from EHL Insights • Article by the Bournemouth University • ONS report • Report by the Resolution Foundation • Survey by Be Inclusive Hospitality
<i>Whitbread PLC</i>	<ul style="list-style-type: none"> • Reports by the company

6.3 Analysis

The analysis for the three sectors is qualitative, based on the content analysis of the reports and articles found related to multiculturalism in the UK in the three sectors. Information searched in the documents is related to average of multiculturalism in the three industries analysed related to people and boards.

The analysis for the three companies is also qualitative, centred on the information available in the companies' websites and annual reports about the multiculturalism of people working in the company, the multiculturalism of the board, and multiculturalism in advertisement and online shop of the company.

7 RESULTS

7.1 Multiculturalism in the UK's fashion industry

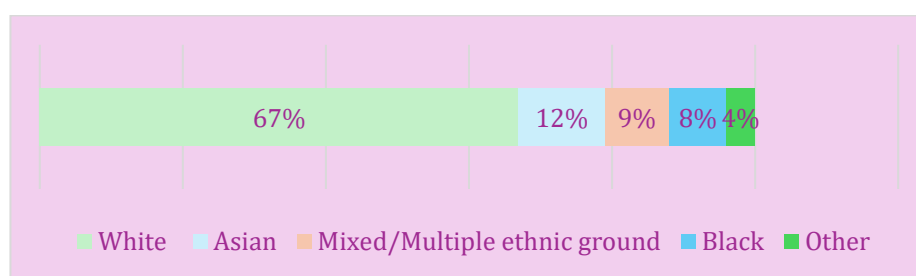
- **Employees**

Regarding the fashion industry, the British Fashion Council has already activated a long-term plan against prejudice and discrimination. The British Fashion Council, together with The Outsiders Perspective and the (Fashion) Minority Report, helped by McKinsey & Company, launched during this year a UK Fashion DEI (Diversity et al.) report in 2024. The report's data are based on the findings from The UK Fashion DEI Census and other sources. The context demonstrates that, despite all the noticeable improvements in the fashion sector, there is more potential for progress by supporting multiculturalism in different roles. Moreover, it states a significant connection between leadership cultural diversity and the company's performance in general (The UK Fashion DEI Report, 2024).

A higher percentage (86%) formed by white men, against the 46% represented by women of colour, believe that the fashion business is a culturally diverse concept. In addition, only a minimal part (17%) of UK companies have published a quantitative DEI report.

In particular, regarding ethnic diversity, the UK Fashion DEI Census survey of 1529 respondents, run from late August 2023 to the 14th of November 2023, highlights that the majority (67%) are white people, as Figure 8 shows.

Figure 8. The UK Fashion DEI Census – ethnicity



Source: The UK Fashion DEI Report – from insight to delivery (2024).

The report shows that diversity, even within the fashion industry, brings a variety of perspectives, improving the decision-making processes. This issue is essential for the brand's success since it relies on a deep and long-lasting

connection between creative vision, cultural relevance, the identification of good commercial routes, and, consequently, operational excellence (The UK Fashion DEI Report, 2024).

The 2024 UK Fashion DEI Report states, "Fashion is a global industry. The consumer is diverse, and brands need to understand their customers." Although the Middle East, India, Africa, and Southeast Asia are key growth markets for fashion, individuals from these regions are highly unrepresented in decision-making roles at brand headquarters.

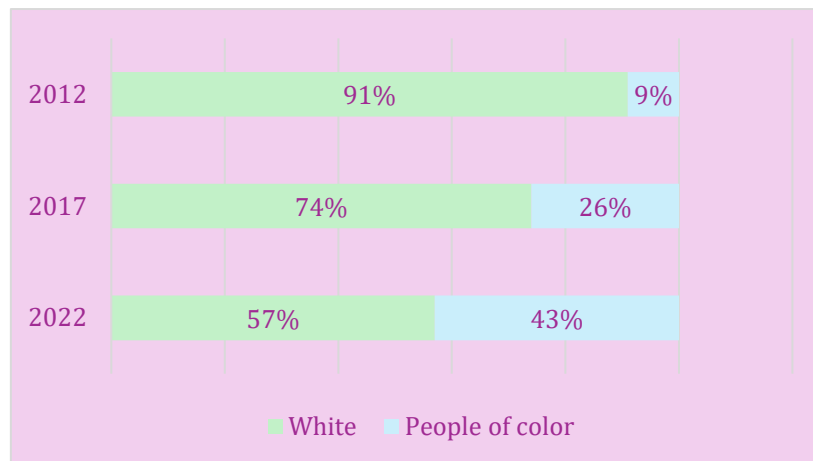
Over the past ten years, the fashion sector has become progressively inclusive, showing a higher percentage of people of colour participating in marketing campaigns and fashion shows. In the 2022 London Fashion Week participated catwalks, 50% more people of different ethnic groups than 14% in the previous decade. Between 2012 and 2022, there has also been an increase in multiculturalism among advertising campaigns. Despite the increasing numbers of diverse ethnic minorities, only 9% of executive roles and 11% of power roles, including CEO, CFO, Chairperson and Creative Director, are held by individuals from these groups (The UK Fashion DEI Report, 2024).

The data suggests that the UK fashion companies with external quantitative DEI targets are in the minority at 17%, while 23% have a designated DEI leader. Most businesses lack formal data to address the problem (The UK Fashion DEI Report, 2024).

The study highlights that 87% of British industries are improving decision-making thanks to a multicultural workforce.

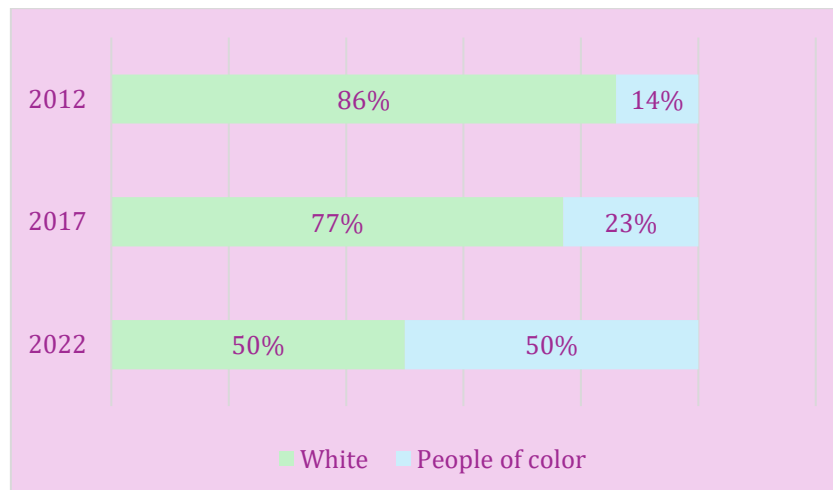
As mentioned, the number of people of colour representing marketing campaigns and on catwalks has consistently increased over the last decade, as shown in the graphics below.

Figure 9. UK advertising campaign - based on assessment of 30 brands' seasonal collection launch advertising campaigns in 2012,2017 and 2022.



Source: The UK Fashion DEI Report - from insight to delivery (2024).

Figure 10. London Fashion Week runway - based on assessment of 16 luxury fashion brands' SS, AW, RTW and MW shows (excludes collection presentations) in 2012,2017 and 2022.



Source: The UK Fashion DEI Report - from insight to delivery (2024).

Fashion industries with a multicultural workforce in leadership and teams are growing stronger, producing higher financial compared to those less diverse. Ethnic diversity in executive teams and boards is linked to a holistic impact. Indeed, they contribute to the performance by driving innovation, accelerating market entry, and gaining deep customer insights while optimising profitability through employee retention, increased productivity and risk mitigation. 39% of teams with diverse leadership are more likely to outperform financially (The UK Fashion DEI Report, 2024).

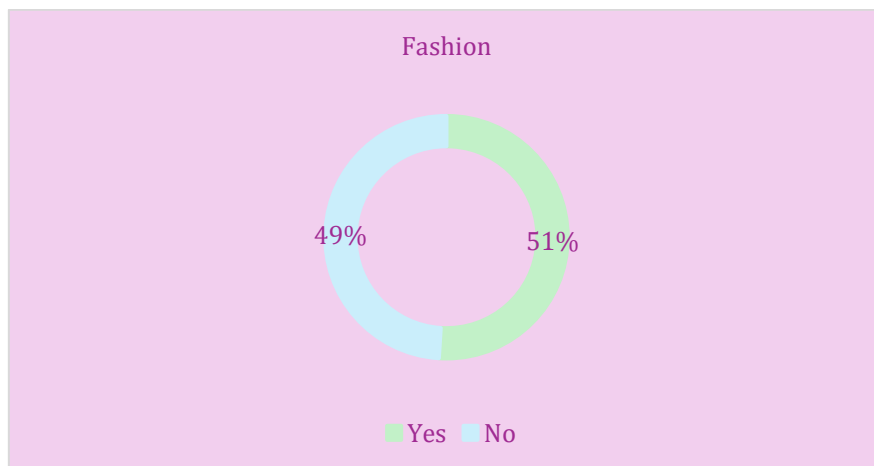
The British fashion sector has made some progress in featuring cross-culturalism on shows and catwalks, but they still lack multicultural representation within boardrooms and workplaces.

Regarding the issue of cultural diversity in UK fashion companies, Moira Benigson, founder of the MBS group, has recently declared that “fashion education in the past decade has been very euro-centric”. Also, Natassa Stamouli, the online editor of 1 Granary magazine, a fashion education platform and creative network, agrees, saying the sector does not sufficiently support people of colour or anyone who does not conform to the traditional standards.

In 2020, Daniel Peters founded and launched the (Fashion) Minority Report. This report focuses on diversity and ethnic minority representation within the fashion industry in the UK.

Despite some progress in diversity and inclusion (D&I) in the fashion industry, only 51% have yet to implement a D&I strategy, whereas 21% are starting to develop and implement the plan.

Figure 11. % of businesses with a coordinated D&I strategy by industry.



Source: Diversity and Inclusion in the Fashion Industry (2022).

- **Board**

Some numbers coming from fashion companies are:

- 9% of board and executive members are people of colour;
- the CEO, CFO, Chair and Creative Director are composed of 11% ethnic minorities;

- of the top, diverse businesses worldwide, just 35% of their executive teams and boards are held by people of colour.

7.2 Multiculturalism in Burberry's Group

- **Employees**

Within the fashion sector, Burberry, a UK luxury brand, is clearly distinguished for being represented by various ethnic groups. This diversity is immediately noticeable from the images of models on the catwalk, on the Burberry website, under the ESG report. In addition, the ESG report explicitly promotes Burberry's inclusion and creativity within its workforce.

The company is committed to establishing an inclusive, open, and positive culture, ensuring everyone feels comfortable and supporting their personal and professional development within the working environment.

To maintain a positive and inclusive workspace while promoting high performance, the corporate culture is founded on four fundamental values:

1. creatively driven – inspires creative thinking and achieves excellence through innovation and encouragement;
2. open and caring – foster a culture of inclusion, sustainability and integrity;
3. proud of our heritage – acts for the benefit of the brand and the community, including the environment;
4. forward thinking – encourages risk-taking, pushing boundaries and fostering innovation.
5. The composition of Burberry's Board of Directors shows that although it includes individuals from diverse nationalities and cultures, all members are of "white" ethnicity. The composition of the Executive Committee is similar.
6. Regarding the Committee of the Board of Diversity, Burberry ensures that at least one board member comes from an ethnic minority background.

The website shows that Burberry is a robust multicultural brand with 9.336 employees from 132 nationalities.

Burberry set some standards to follow to promote an inclusive environment in their Global Diversity and Inclusion Policy, a report to diminish barriers

among the workforces. To remain aligned with current standards, they renew the report every year.

Looking at the Cultural Advisory Council members, we can observe that different ethnic groups represent them equally.

In the 2022/2023 Gender and Ethnicity Gap Report, it is evident that the median ethnicity pay gap went from 12,5% to 17%, while the ethnicity gap bonus widened from -27,6% to -80,7%. These gaps, of course, favour workers belonging to ethnic minority groups. The findings also demonstrated that the mean salary gap narrowed from 7,5% to -3,6%, and the mean ethnicity bonus gap decreased from 33,1% to 23,9% (Burberry – Gender and Ethnicity Gap Report, 2022/2023).

Multiculturality data proved, on the 5 of April 2022, that Burberry held ethnicity data for 67,7% of its UK workforce, marking a rise of 3,4% since the previous report.

Table 5. Reporting on ethnic background.

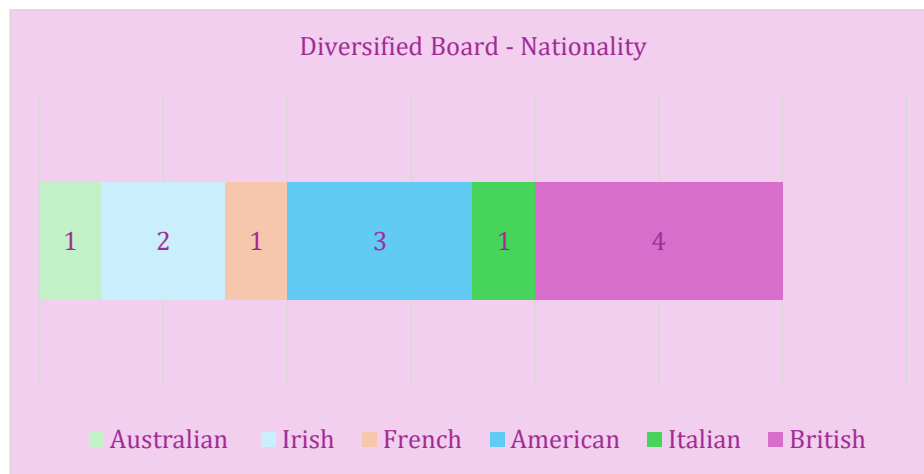
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority - white groups)	10	83,4	3	9	81,8
Mixed/Multiple Ethnic groups	-	-	-	-	-
Asian/Asian British	1	8,3	1	1	9,1
Black/African/Caribbean/Black British	1	8,3	-	-	-
Other ethnic group, including Arab	-	-	-	1	9,1
Not specified/prefer not to say	-	-	-	-	-

Source: Burberry – Annual Report 2023/2024.

These data indicate that Burberry is advancing in its campaign to promote multiculturalism among its employees, concerning the previous year, where the median ethnicity pay gap was at -12,7%, indicating that the hourly pay rate was higher for these groups (Burberry – Gender Pay Gap Report, 2021/2022).

- **Board**

Figure 12. Diversified Board - Nationality.



Source: Burberry – Annual Report 2023/2024.

7.3 Multiculturalism in the UK’s automobile industry

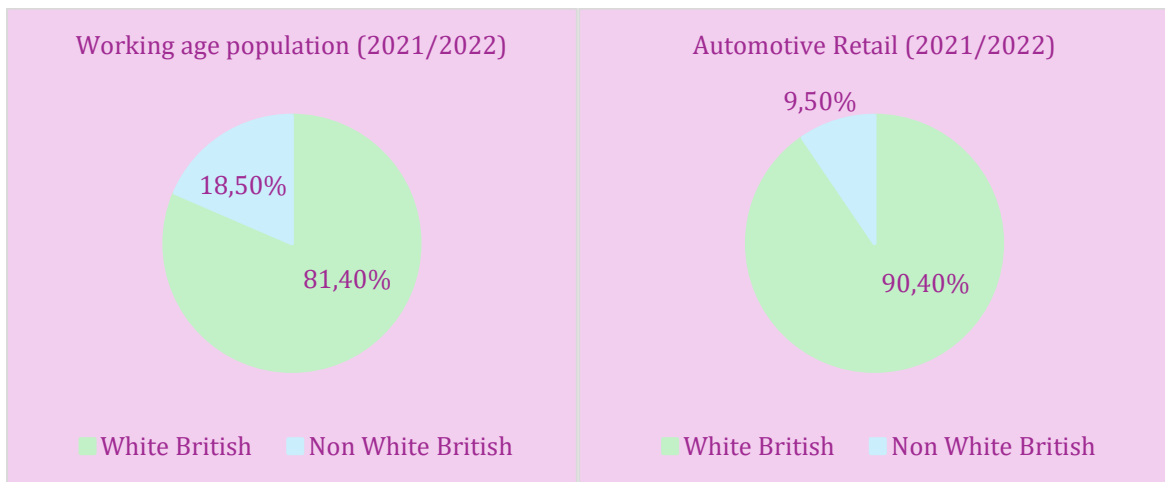
- **Employees**

Nineteen of the biggest brands in this industry have united to launch the first Automotive Diversity & Inclusion Charter (Auto Council Charter). The founding signatories, alongside the Unite the Union and Society of Motor Manufacturers and Traders (SSMT), have pledged to create a diverse, equitable and inclusive (DE&I) workforce that reflects a broader society.

The Automotive Diversity & Inclusion Charter helps to strengthen the business through employees’ satisfaction, motivation and engagement, contributing to a rise in productivity and excellent employee retention. Furthermore, adhering to the Charter will lead to progress in decision-making and problem-solving, thus making the business flourish. The Institute of Motor Industry, with some data, declared that the number of non-white British people in the automotive retails increased to 9,5% in the year

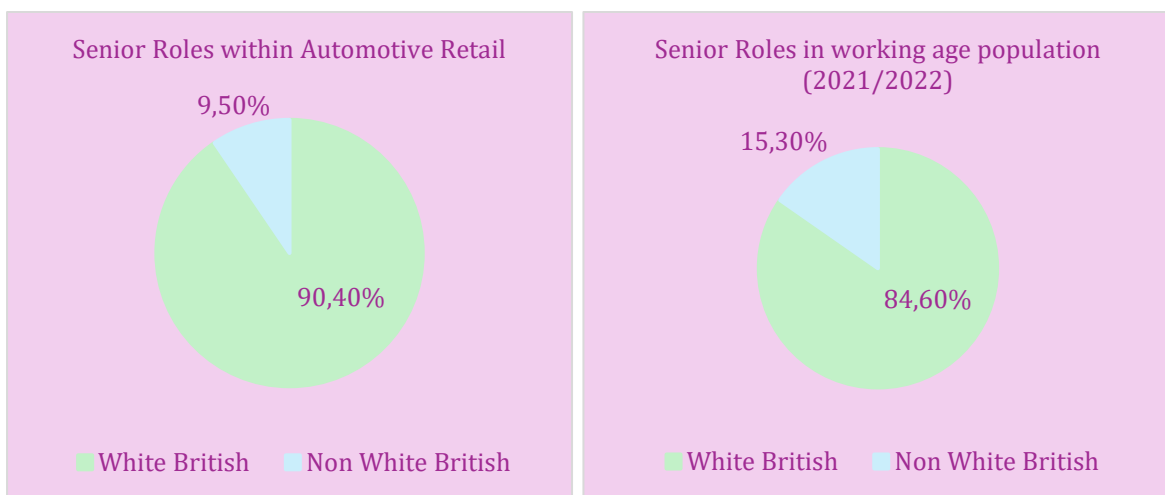
2021-2022, compared to the previous year. It gives us a possible reason for this growth could be the Black Lives Matter (BLM) movement in 2020. Nevertheless, this percentage, which corresponds to approximately 55.000 individuals, is still lower when measured against the working-age population.

Figure 13. Proportion of non-white British in automotive.



Source: *Driving towards inclusion: An analysis of diversity metrics in the UK automotive sector (2022)*.

Figure 14. Proportion of non-white British in automotive – Senior Roles.



Source: *Driving towards inclusion: An analysis of diversity metrics in the UK automotive sector. (2022)*.

Looking at this data, it is evident that despite the number of employees from ethnic minorities increasing every year, there is still to advance in this matter, as the chief executive of the Society of Motor Manufacturers and Traders, Mike Hawes, claims in a recent interview.

“A rich diversity of skills, perspectives and experience can give us a competitive advantage” (Mike Hawes).

The Motor Industry (IMI) Diversity Task Force Report is not of a different opinion. It claims that just 7% of the British automotive retail sector workforce is from an ethnic minority. Of this 7%, only 1% is black (Dron, 2022).

According to a census survey of the “Transport and Communication” sector conducted by the Office for National Statistics (ONS), white workers in this field are between 8,7% and 13,8% of the workforce. Other groups represent a more significant percentage: the survey indicates that the most important proportion of the workforce is Indian people (18,9%), followed by 10,2% - 15,3% of Asian workers, Pakistani and Bangladeshi 14,4%, 10,3% of black employees, and mixed race at 9,9% (Dron, 2022).

A recent 2024 report on diversity and inclusion states that ethnic diversity disparities are still evident in the automotive sector, with just 13% of Non-White British employees in the total workforce. Disparities can also be noticed within different regions of the UK: London shows the highest representation of workers from other ethnic groups. Ethnic minorities then have the lowest participation rate in automotive apprenticeships.

In analysing diverse ethnicities within the sector, the report utilises data from the Office for National Statistics (ONS).

As previously mentioned, the percentage of employees from ethnic minorities is 13%, a low number compared to the 18% of the working-age population from these minorities, as demonstrated in Figure 16.

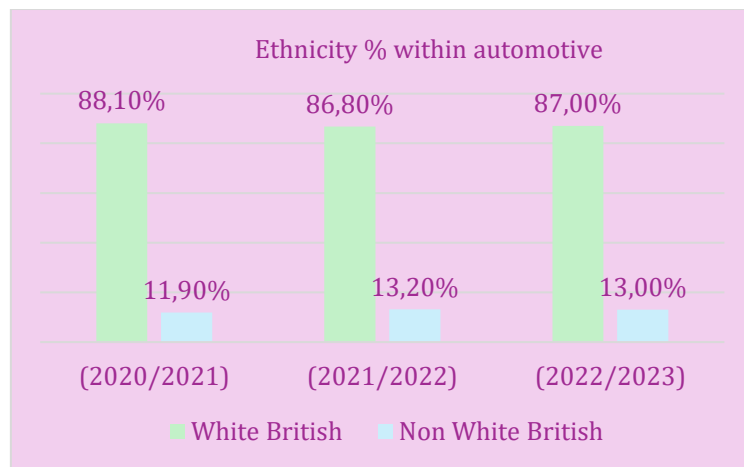
Figure 15. Race and ethnicity – Ethnicity in UK working population.



Source: Driving towards inclusion: Sector report (2024).

Figure 15, on the other hand, highlights the percentage in the automotive sector for 2020/2021, 2021/2022, and 2022/2023 (Driving towards inclusion: sector report, 2024).

Figure 16. Race and ethnicity – ethnicity in UK working population.



Source: Driving towards inclusion: Sector report (2024).

A more in-depth graphic representation of the automotive subsectors over the years is provided in Figure 18.

Table 6. Ethnicity subsectors in automotive.

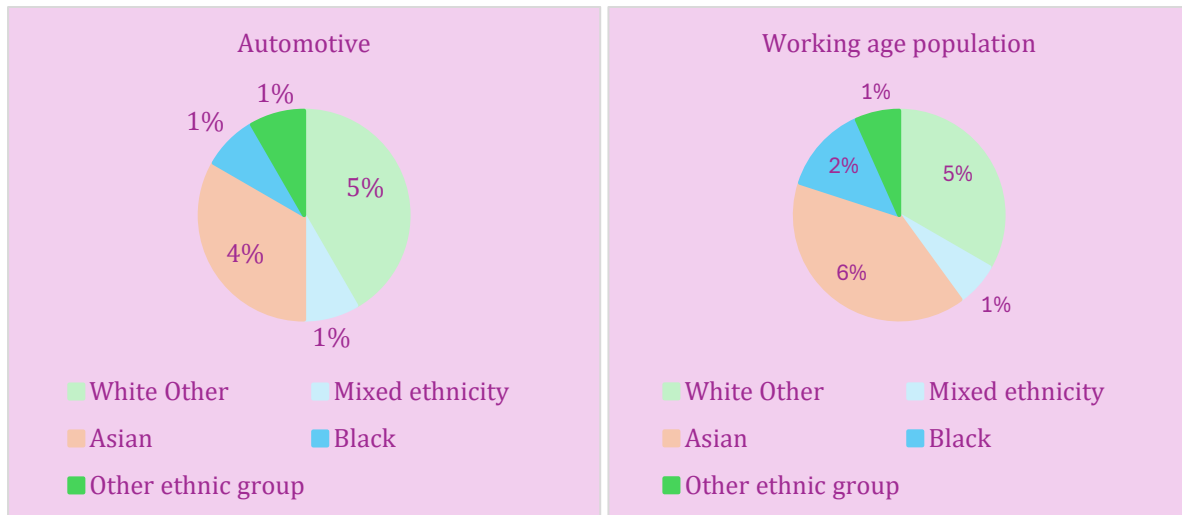
	2020/2021		2021/2022		2022/2023	
	White British	Non-White	White British	Non-White	White British	Non-White
Sale of cars and light motor vehicles	91%	9%	91%	9%	93%	7%
Sale of other motor vehicles	-	-	-	-	-	-
Maintenance repair of motor vehicles	92%	8%	92%	8%	91%	10%
Wholesale trade motor vehicle parts and accessories	-	-	85%	15%	86%	14%
Retail trade of motor vehicle parts and accessories	94%	6%	92%	8%	91%	9%
Sale, maintenance and repair of motorcycles	-	-	-	-	-	-
Wholesale of waste and scrap	90%	10%	-	-	89%	11%
Rent and lease cars and light motor vehicles	-	-	83%	17%	80%	20%
Renting and leasing of trucks	-	-	-	-	-	-
Manufacture of motor vehicles	76%	24%	80%	20%	80%	20%
Manufacture of bodies for motor vehicles and trailers	90%	10%	-	-	-	-
Manufacture of electric equipment for motor vehicles	-	-	-	-	77%	23%
Manufacture of other parts and accessories for motor vehicles	76%	24%	72%	28%	75%	25%
Manufacture of motorcycles	-	-	-	-	-	-
All automotive	88%	12%	87%	13%	87%	13%

Source: Driving towards inclusion: Sector report (2024).

Different working groups present the “Non-White British” category. The so-called “White Others” are the largest group at 5%. Below, with 4%, we found

the Asian community. Some noted discrepancies in the working age of the Asian community, which amounted to 6%.

Figure 17. Ethnicity breakdown in the automotive sector.



Source: Driving towards inclusion: Sector report (2024).

Examining the Mission Automotive team, a company launched in 2019 as the Armed Forces engagement initiative for the UK automotive industry, it is evident that there are very few members of ethnic minorities or people of colour.

Mission Automotive can potentially introduce a human resource often overlooked and underutilised in the industry.

In the British automotive sector, embracing multiculturalism is indispensable to survive today's competitive environment. Ethnic diversity results strongly emphasise innovation, keeping the market dynamic and competitive.

Adopting a more expansive approach to ethnic diversity in the workplace is essential for cultivating an inclusive and fair environment where individuals from diverse backgrounds can thrive and fully contribute (Driving towards inclusion: Sector report, 2024).

7.4 Multiculturalism in Rolls-Royce

- **Employees**

The historical company of Rolls Royce aims to create an inclusive and multicultural working environment, pursuing the growth of cross-cultural teams. They sustain that having different perspectives contributes to improving the decision-making process.

Rolls Royce encourages equity among the workforce through four different points:

1. flexible working;
2. wellness and tranquillity through a room dedicated to meditation;
3. employee resources groups;
4. parental leave.

By observing the stories of pioneers in diversity and inclusion at Rolls Royce, as well as images of employees on its website, it emerges that they are developing a cosmopolitan environment.

Looking at the Rolls Royce Board and Executive Team, it can be noted that, despite having a culturally difference workforce, the majority of the members are White British. Nevertheless, based on the 2023 annual report, 30% of the Executive members come from various backgrounds, which represents an improvement of 18% with respect to the prior year.

Rolls Royce, concerning the Ethics and Compliance sector, provides all employees worldwide with an innovative and compulsory ethics training course in person and online. Managers are encouraged to discuss the subject during team meetings, supported by training materials. This compulsory course is conducted annually.

In the section Ethics and Compliance of the Rolls Royce group, the Rolls Royce Speak Up Line is available in multiple languages. This initiative underscores the company's commitment to inclusion within different cultures and nations.

Figure 20 is a summary of the various ethnic background at Rolls Royce in 2023.

Table 7. Ethnic breakdown.

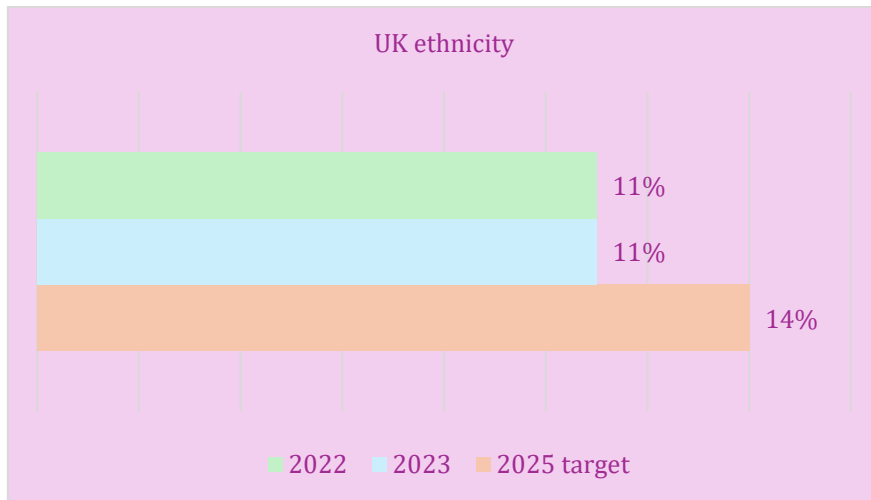
	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority - white groups)	11	92%	Chair, Chief Executive, Chief Financial Officer, SID	10	100%
Mixed/Multiple Ethnic groups	-	-	-	-	-
Asian/Asian British	1	8%	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

Source: Rolls-Royce holdings PLC annual report (2023).

In 2023, the corporation hired 34% of graduate candidates. This means that 17% more were recruited since 2022. However, there was a slightly difference situation for apprentices of diverse ethnicities; while in 2022, they were 31%, in 2023, they decreased by 19%.

Figure 21 will show the percentages of ethnic diversity at Rolls-Royce for 2022 and 2023; they will also present the company's target to reach cross-culturalism by 2025.

Figure 18. Ethnicity breakdown in the automotive sector.

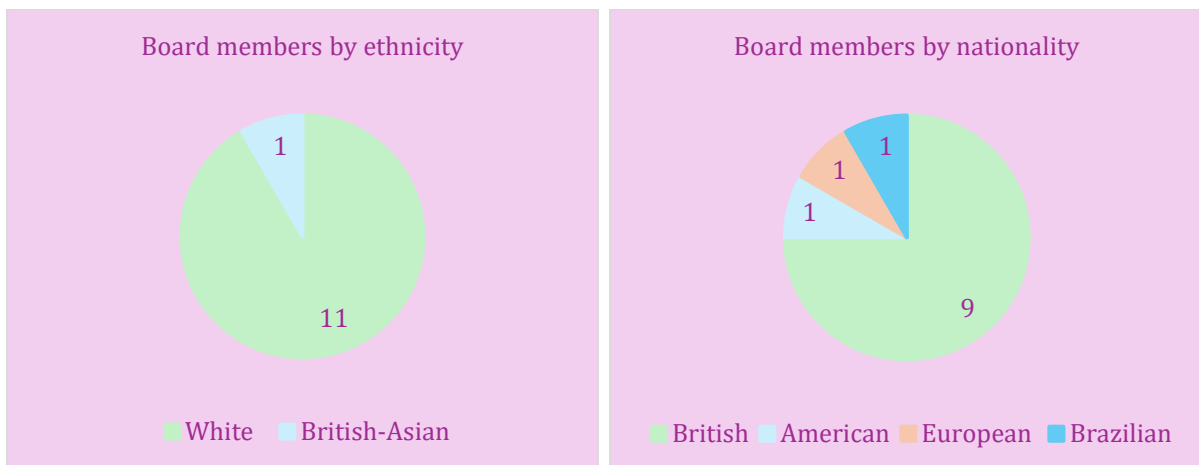


Source: Rolls-Royce annual report (2023).

- **Board**

The Board of Rolls-Royce is committed to fostering an inclusive policy that promotes and maintains inclusiveness among different cultures. However, as per the 2023 Annual Report, most of the Board's members are of white ethnicity; just one person is of British-Asian ethnicity. Out of the 12 team members 9 are British. The rest are of American, European, and Brazilian nationality.

Figure 19. Composition of the Board on 22 February 2024.



Source: Rolls-Royce annual report (2023).

7.5 Multiculturalism in the UK's hospitality industry

- **Employees**

Similar to the Fashion and Automotive sectors, the UK hospitality industry has established a committee for Equity, Diversity and Inclusion (EDI). This group deals with these areas, promoting an inclusive and welcoming environment for employees and customers, which is fundamental in the hospitality sector.

Dealing with colleagues from various backgrounds can be challenging for hotel managers, who must ensure that the staff members are aware of the cultural differences. Nevertheless, the more culturally diverse the workforce is, the better and fresher the perspectives can be, thereby creating unique customer experiences.

43% of the UK hospitality industry consists of individuals from different cultures. According to an article in the EHL Insights, this is a significant number compared to the hospitality workforces of other countries.

Hiring cross-cultural employees enriches the overall experience by offering new and fresh perspectives, thereby creating an authentic experience sought by customers, ultimately speaking their language and understanding cultural sensitiveness.

According to a report made by PwC, in the UK hospitality sector, minority ethnic workers, including Black and Asian (BAME), represent just 6,4% at the Board level, a remarkably low figure contrasted with the 12,5% BAME working-age population.

As per the same PwC report, there is also a shortage of data on multiculturalism in the hospitality industry.

Recent events, like the global pandemic crisis of 2020 and 2021, have transformed customer needs and expectations, leading to significant changes in the industry. Understanding these changes is helpful for effectively meeting client requirements and making the business grow rapidly in the new environment.

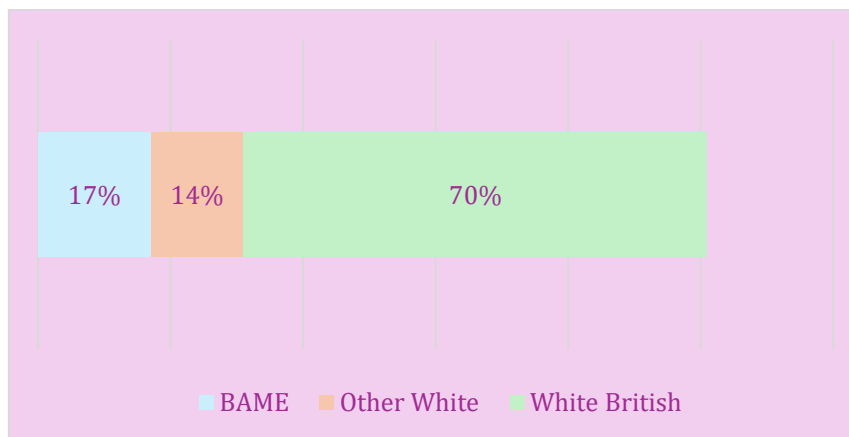
The hospitality and tourism sector, in general, is the fourth largest employer in the UK, with 43% of the workforce having different nationalities, mainly from Eastern and Southern European countries.

A 2020 study reports differences in characteristics, such as age and education, participation, and experience (earnings and occupation level), in the UK hospitality sector between White workers and ethnic minorities.

A significant experience that varies based on the ethnic group is the pay: White British employees are typically paid more than those from BAME backgrounds.

In 2020, the total workforce in the UK was 1.8 million, of which around 300.000 are of cultural minority origin. This category was represented by 17% of the hospitality workforce, a higher number compared to 12% of the whole economy. The “White Other” category had a relatively high figure, accounting for 14% of the employees. The majority of the work group was the “White British” group, with 70%, as illustrated below (Ethnic minorities in the hospitality sector, 2020).

Figure 20. Proportion of workforce by broad ethnic categories, 2018-2020 in UK.

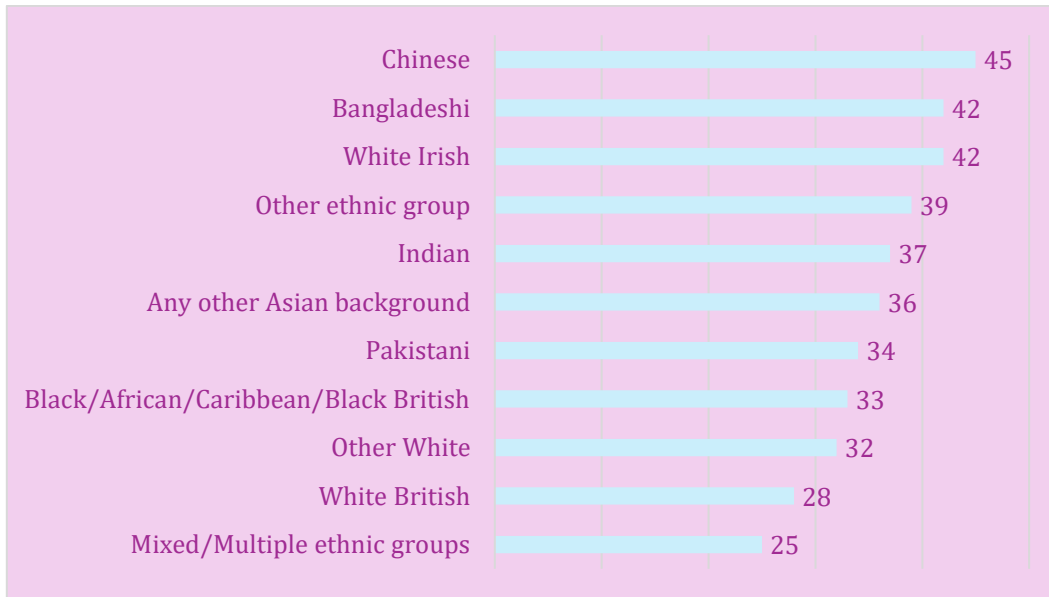


Source: RF analysis of ONS Labour Force Survey, Q1 2018 to Q1 2020.

Inside the BAME category – which is approximately 300.000 -various subgroups can be found.

- 48.000 from “Other ethnic group”;
- 47.000 between Black, African, Caribbean, and Black British;
- 33.000 comes from a Bangladeshi ethnic minority;
- 33.000 workers from Indian cultural group;
- 27.000 Pakistani ethnicity;
- 20.000 from Chinese culture;
- 45.000 individuals from “Any other Asian background”;
- 33.000 from a “Mixed/Multiple ethnic group”.

Figure 21. Median age of those in employment by ethnic group, 2018-2020 in UK.

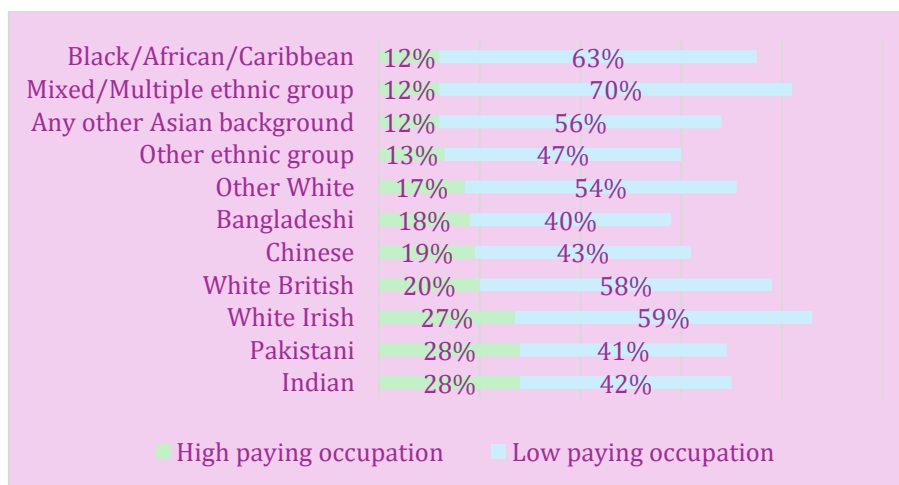


Source: RF analysis of ONS Labour Force Survey, Q1 2018 to Q1 2020

As we can observe from Figure 24, within these ethnicities, the oldest working group in the UK hospitality industry is the Chinese, with an average of 45 years old. Following with a median of 42 years old, there is the Bangladeshi and White Irish category. Mixed/Multiple ethnic groups are the youngest employees (around 25 years old), while the second youngest group is White British, with circa 28 years old.

The level of job occupation varies by ethnicity in relation to age. Figure 25 provides a detail explanation of the different levels of occupation.

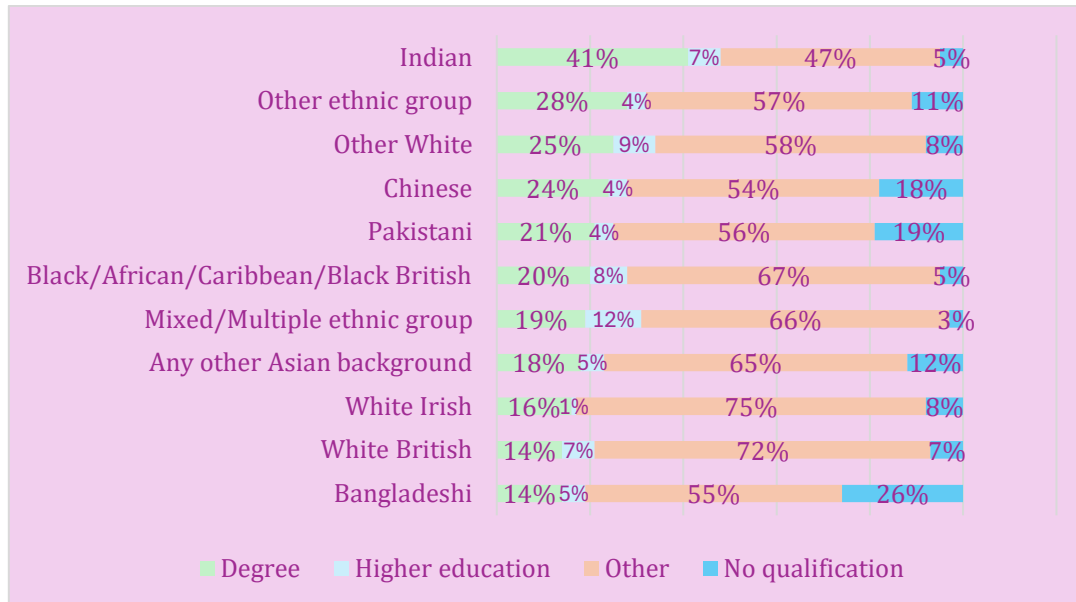
Figure 22. Proportion of hospitality workers in high- and low- paying occupations by ethnicity, 2018-2020 in UK.



Source: RF analysis of ONS Labour Force Survey, Q1 2018 to Q1 2020.

Another difference of ethnic groups is the level of education, as shown in Figure 23.

Figure 23. The educational attainment of hospitality workers by ethnicity, 2018-2020 in UK.



Source: RF analysis of ONS Labour Force Survey, Q1 2018 to Q1 2020.

Within the hospitality sector, the highest rate of self-employment is found among the Chinese group, while the lowest can be found among the Black/African/Caribbean/Black British ethnic groups and the Mixed/Multiple ethnic groups.

A report by the Resolution Foundation found that there is a pay gap within different ethnic groups; white workers are paid more than Black, Asian and ethnic minority individuals.

Racism could be a negative factor in the workforce. The majority of employees from different ethnicities reported experiences of racism at elevated levels. However, just 1 in 5 workers have attended a course or workshop anti-racism, race or language, while 5 in 10 have expressed the interest in participating.

In the graphics below (Figure 27) from the 2022 Inside Hospitality Survey, we can distinguish 12 sectors within the hospitality industry, where different ethnic groups are employed.

Table 8. Which of the following sectors do you work in

	Total (1016)	Asian (109)	Black (121)	Mixed (88)	White (673)
Restaurant	45%	46%	47%	41%	45%
Bar	22%	12%	20%	24%	23%
Hotel	22%	22%	19%	16%	23%
Pub	18%	10%	6%	16%	22%
Fast food/Quick service	13%	24%	11%	9%	13%
Café	8%	10%	7%	6%	8%
Coffee Shop	7%	8%	7%	3%	7%
Contract catering/Food service	11%	8%	19%	10%	10%
Entertainment venue	8%	3%	16%	10%	7%
Nightclub	6%	3%	7%	5%	6%
Self-employed	10%	9%	20%	20%	6%
Other	12%	12%	12%	15%	11%

Source: The Inside Hospitality Survey results (2022).

Through a 2023 survey (The Inside Hospitality report), we can compare the sectors in which the various ethnic groups were employed in 2022, with those in the following year. Figure 28 displays this comparison.

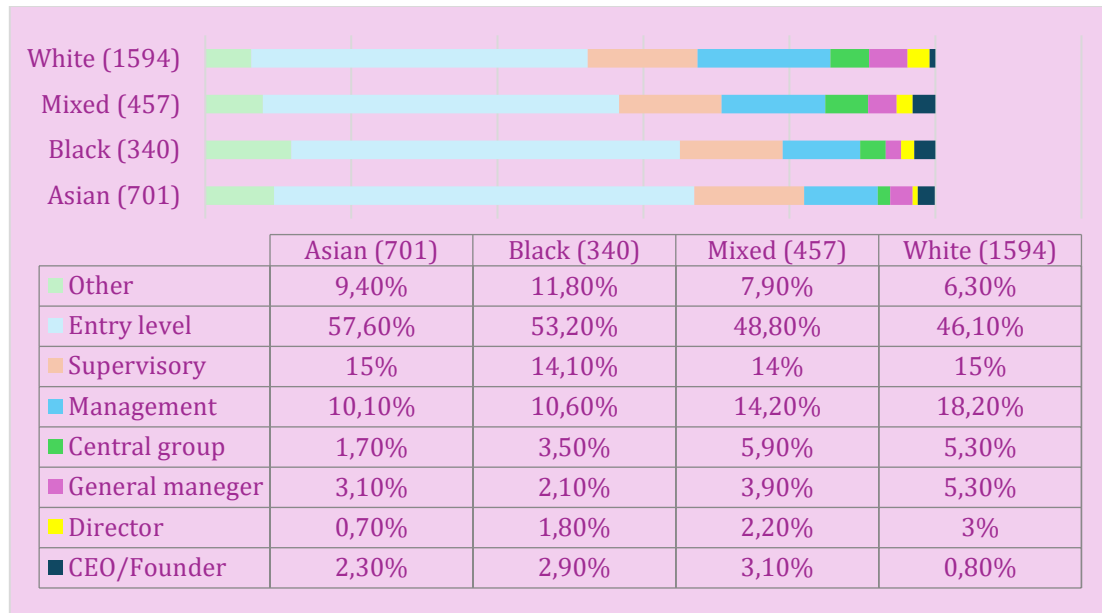
Table 9. Different working sectors by ethnicity.

	Asian	Black	Mixed	White
Accommodation sector	10,4%	12,3%	13%	14%
Bar	7,2%	10,6%	8,6%	11,9%
Nightclub	4,3%	3,4%	3,3%	2,5%
Catering	9,4%	12,3%	8,8%	7,4%
Events	9,6%	11,6%	8,7%	7,3%
Restaurant	34,6%	27,9%	35%	30,8%
Pub	4,5%	4,6%	5%	9,6%
Café/Coffee shop	10,7%	5,4%	8%	6,9%
Other	9,3%	11,9%	9,6%	9,6%

Source: The Inside Hospitality report (2023).

Figure 29, on the other hand, highlights the divergences in work roles across different cultural groups.

Figure 24.. Job roles by ethnicity.



Source: The Inside Hospitality report (2023).

Looking at the various reports from Be Inclusive Hospitality, we can underline the high percentage of ethnic minorities in the UK hospitality industry. Despite this, the numbers show that there is still much to do before the hospitality sector becomes truly diverse and inclusive.

7.6 Multiculturalism in Whitbread PLC

- **Employees**

Whitbread PLC, the British multinational hotel and restaurant company and owner of Premier Inn, the UK’s biggest hotel brand, their FY24 H1 results (2023) confirmed that everyone should have the opportunity to grow and develop. For this reason, they create some diversity & inclusion (D&I) committee; they state that had the 8% of different ethnic groups representation by the end of 2023.

Diversity & Inclusions clearly plays a huge role in the strategy development.

In the following figures, we will present a summary of the ethnicities represented at Whitbread.

Whitbread PLC released a transparent statistic stating that by end 2026 ethnic minority groups will increase from 8% to 10%.

Figure 30 illustrates the total workforce of Whitbread PLC divided by ethnicity, the composition of the Executive Committee and the Leadership Community -not all members of the Executive Committee and Leadership community have chosen to participate in the analysis- (Annual Report and Accounts 2022/2023).

Figure 25. Workforce by ethnicity.



Source: Annual Report and Accounts (2022/2023).

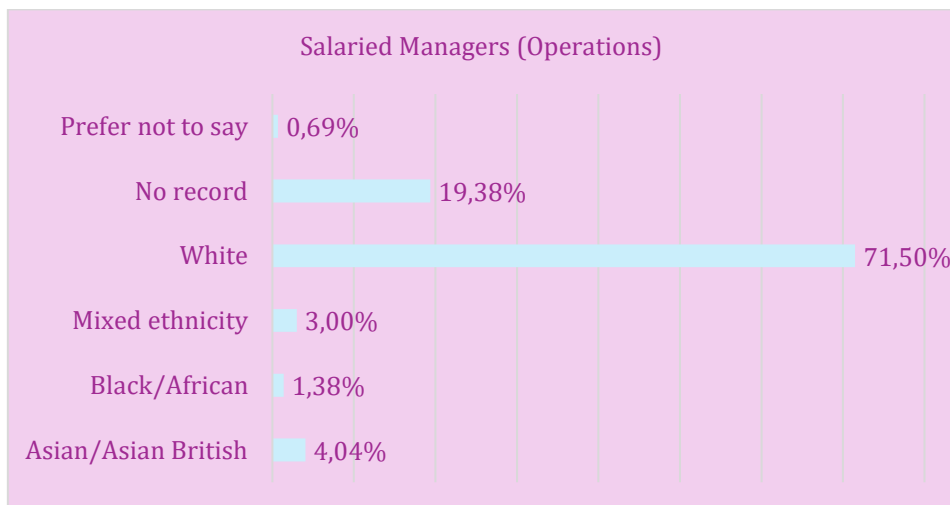
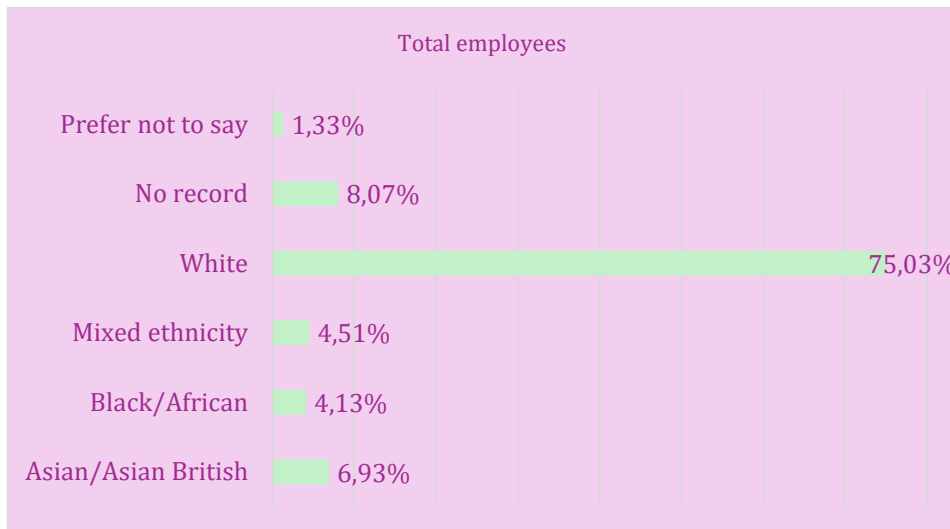
These graphics show us that ethnic minority workforce is not very big.

Whitbread has established four inclusion networks, which have two main purposes:

1. To provide a secure space for culturally diverse communities

- To drive a better inclusion through different activities as listening groups, training sessions, and celebration of religious and cultural events.

Figure 26. The makeup of the workforce.



Source: Gender and Ethnicity pay gap Report (2023).

Table 10. Ethnic background at Whitbread.

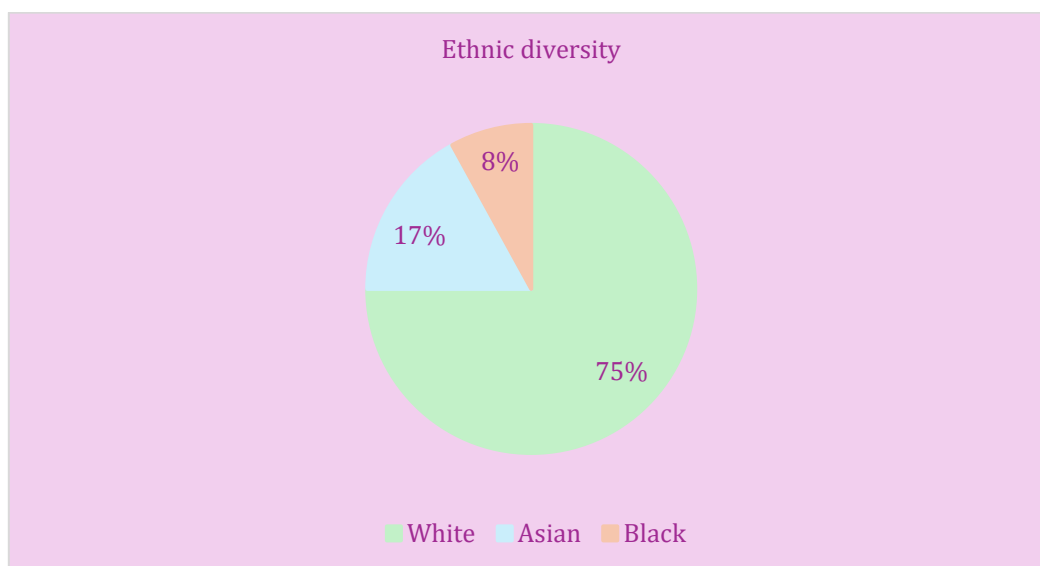
	Board members	Percentage of the Board	Senior Board Positions (CEO, CFO, SID and Chair)	Executive management	Percentage of Executive management
White British or other White (including minority white groups)	10	76,9%	3	8	88,9%
Mixed/multiple ethnic groups	-	-	-	-	-
Asian/Asian British	2	15,4%	1	1	11,1%
Black/African/Caribbean/Black British	1	7,7%	-	-	-
Other ethnic groups including Arab	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

Source: Annual Report and Accounts (2023/2024).

- **Board**

Differ ethnicities working on the Board of Whitbread are shown in the chart below:

Figure 27. Whitbread Board composition.



Source: Annual Report and Accounts (2022/2023).

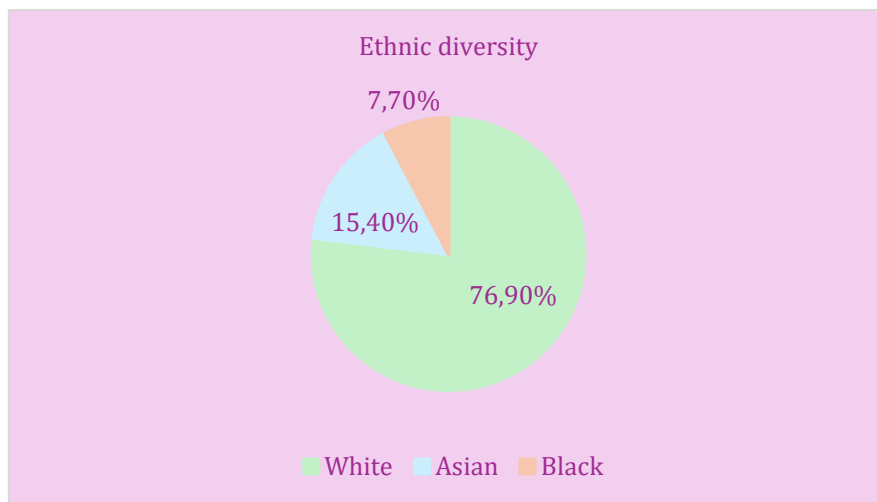
The new FY24 Results by Whitbread, released at the end of April, state that the ethnicity representation in the company was 9%, which means 1% more

respect to the previous year. Furthermore, they aim to reach a target of 10% of culturally diverse leadership by 2026.

There is a slight increase in the workforce of Whitbread PLC, as well as in the composition of the Executive Committee and the Leadership Community, in the Annual Report and Accounts 2023/2024 compared to the years 2022/2023.

In the Board composition (Annual Report and Accounts 2023/2024), we can notice a rise in White employees, while the Asian and Black workforce has decreased.

Figure 28. Whitbread Board composition.



Source: Annual Report and Accounts (2023/2024).

7.7 Comparing industries and companies analysed

When comparing the three above sectors (fashion, automotive and hospitality), it is evident that, despite the effort that each company is doing for diversify the workforce in terms of multiculturalism, the majority of employees still belong to the “White” category.

In the fashion and hospitality industries, employees from minority ethnic groups are, on average, more represented than in the automotive.

However, what it comes to board members, the majority are always of “White” category, with only a small percentage represented by other ethnic groups. Among the three industries, the hospitality industry is characterized by a higher number of board members from different ethnic background compared to both fashion and automobile industries.

In summary, while the UK's fashion, automobile, and hospitality industries are embracing multiculturalism, they are doing it with a different pace. Fashion show progress in the workforce representation, but not in leadership. Similarly, the automobile industry is slowly become inclusive towards ethnic minorities, although there is still a significant disparity between workers. The hospitality sector, on the other hand, has a great number of culturally diverse employees. Despite their previously and ongoing efforts, fashion, automobile and hospitality sectors still have challenges to deal with.

8 Conclusion

This master's thesis has analysed cross-cultural management skills in companies. Starting with the theories related to multiculturalism, it explains various internationalisation strategies based on the countries' cultures, the company's size, and its goals. Lastly, the cross-culturalism in selected industries and companies in the UK has been analysed.

The main three conclusions obtained after the analyses conducted in this TFM are:

First, from a theoretical view, multiculturalism states both advantages as well as challenges. Advantages include being more open minded, having different ideas, and being more creative and innovative, which might facilitate to reach a competitive advantage on the market.

Second, embracing multiculturalism is, in today's environment, increasingly important in both personal and professional lives. It is a key factor in achieving success, inspiring us to foster a more diverse and inclusive environment.

Third, the main presented results are derived from a comparison of three well established industries in the UK economy: fashion; automobile; and hospitality. All three industries are embracing multiculturalism, though they each follow different paths. While the fashion, automobile, and hospitality industries are making significant progress in terms of cultural diversity, there is still work to be done. Achieving cultural diversity across all areas remains a goal that these industries should strive for, acknowledging the progress made and the work that still needs to be done.

The main limitation of this TFM is the selection of only three industries and three companies. In future analyses, the inclusion of more industries and companies both in UK and other countries could result in a more comprehensive overview of the situation. It's important to be aware of the scope of our research to understand its implications.

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ANNEX. SUSTAINABLE DEVELOPMENT GOALS



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ANEXO I. RELACIÓN DEL TRABAJO CON LOS OBJETIVOS DE DESARROLLO SOSTENIBLE DE LA AGENDA 2030

Anexo al Trabajo de Fin de Grado y Trabajo de Fin de Máster: Relación del trabajo con los Objetivos de Desarrollo Sostenible de la agenda 2030.

Grado de relación del trabajo con los Objetivos de Desarrollo Sostenible (ODS).

Objetivos de Desarrollo Sostenibles	Alto	Medio	Bajo	No Procede
ODS 1. Fin de la pobreza.				x
ODS 2. Hambre cero.				x
ODS 3. Salud y bienestar.				x
ODS 4. Educación de calidad.			x	
ODS 5. Igualdad de género.	x			
ODS 6. Agua limpia y saneamiento.				x
ODS 7. Energía asequible y no contaminante.				x
ODS 8. Trabajo decente y crecimiento económico.			x	
ODS 9. Industria, innovación e infraestructuras.			x	
ODS 10. Reducción de las desigualdades.	x			
ODS 11. Ciudades y comunidades sostenibles.				x
ODS 12. Producción y consumo responsables.				x
ODS 13. Acción por el clima.				x
ODS 14. Vida submarina.				x
ODS 15. Vida de ecosistemas terrestres.				x
ODS 16. Paz, justicia e instituciones sólidas.				x
ODS 17. Alianzas para lograr objetivos.		x		

Descripción de la alineación del TFG/TFM con los ODS con un grado de relación más alto.

ODS 5: this TFM aims to achieve gender equality through multiculturalism in companies. It focuses on ensuring equal opportunities in leadership within different ethnic groups.

ODS 10: this ODS is related to the TFM because it aims to reduce the inequality among employees, by improving the income distribution within diverse ethnicity.