

The Importance of Building Trust and Cultural Understanding in International Business

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In an era of globalization, the ability of organisations to effectively sail across the different cultures and build trust with international stakeholders is crucial. Businesses that expand internationally without a strong understanding of local customs, values, and business practices could face significant challenges that may lead to substantial financial losses, damaged reputation, loss of strategic alliances to name a few. This article examines the essential role of trust and cultural understanding in international business with examples of successful and failed ventures in Asia, Europe and the Middle East. These examples highlight the importance of cultural adaptation and trust-building for sustainable business growth.

Trust and Its Role in International Business

Trust is a foundation of successful business relationships, predominantly in international contexts where risks and uncertainties are higher. Trust enables cooperation and enriches communication and information sharing. When organisations invest in building trust with stakeholders, they encourage long-term partnerships and mutual success (Doney, Cannon, & Mullen, 1998).

A remarkable success story in building trust is Unilever's expansion into the Middle East. Unilever has earned its trusted reputation in the region through its commitment to respecting and understanding local cultures and focus on corporate social responsibility and quality and adapting its products to meet local tastes and cultural norms. This strategy allowed Unilever to establish strong and loyal customer base, sustained market dominance and profitability in the region.

Cultural Understanding and Its Impact on International Business

Cultural understanding involves respecting the diverse beliefs, practices, and norms of different societies. Organisations that fail to understand these often face significant challenges.

Google's experience in China exemplifies the outcomes of cultural misunderstanding. Google's global policy of open approach to information clashed with the Chinese government's stringent censorship legislations. Google's partial withdrawal from the Chinese market led to a significant loss amounting to billions of dollars in lost revenue and opportunity. Similarly, eBay's operations in China failed because its platform did not adapt to local consumer preferences for interactive and community-oriented marketplaces, hence failed to compete against domestic rivals like Alibaba's Taobao, costing eBay millions in investments.

In Europe, Walmart's venture into Germany highlights the consequences of enforcing foreign business models without appropriate cultural alignment. Walmart's American-style management systems and focus on customer service did not align with German shopping habits and cultural practices. This led to Walmart's exit from the German market in 2006 with estimated losses of around \$1 billion. Similarly, Best Buy's efforts to establish their

business in the UK faced comparable challenges; its large-format store model did not appeal to British consumers who preferred smaller, specialised electronics retailers. This led to Best Buy's swift exit, costing them over \$200 million in losses.

Strategies for Success

Organisations must develop strategies that build trust and cultural intelligence to succeed in international business. Investing in cross-cultural training that values diversity increases a company's capability to navigate cultural differences. Transparency and open communication with local stakeholders are essential for building trust. Businesses should prioritise adapting their practices, products, services, to adapt and align with local cultural preferences and expectations.

The experiences of Google, eBay, Walmart, and Best Buy highlight the importance of cultural understanding and building trust in international business. By prioritising these elements, organisations build their competitive advantage, and create profitable and sustainable relationships with international alliances. As the global economy continuously evolve, the ability to build trust and cultural understanding remain a driver of success in international business.

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