THE IMPACT OF SOCIO-CULTURAL FACTORS ON TRANSNATIONAL BUSINESS ACTIVITIES (EXAMPLES FROM CHINA, INDIA, PAKISTAN)

The study focuses on the contrasts between cultures and behaviors in foreign markets and how culture and behaviors affect international and global businesses, especially in countries such as India, China and Islamic countries where purchasing decisions are influenced by their cultures and behaviors. The study found that there is a significant statistical relationship between cultural behaviors and international business. Secondly, managing culture within a company is becoming one of the main areas of management, especially when considering the expansion of company borders and the negative impact on business. These findings are consistent with most previous studies conducted in different countries. Holding other repressors constant, the results show that culture
significantly influences international business during the negotiation process and affects foreign cooperation. Most importantly, there is a strong negative relationship between cultural behavior and international business.

The study also recommends that companies pay special attention to the regulation of culture and behavior during international business.

Based on the results of the study which recommends companies to think about the other side of the culture, such aspects of the culture of another nation, to improve business in other countries by providing clear credit policy and credit manual to understand the culture of these countries, as well as to increase their capacity in business negotiations and try to maximize the profitability of the company.

Unambiguous perception of information, actions and intentions of the participants of the international process is the key to success in solving the issues of international cooperation. It is important to understand that issues of mutual trust, mutual attitude during negotiations, as well as strategies and flexibility of decision-making during negotiations can be influenced. A special role in this process is assigned to the marketing team of the firm, as their responsibilities include the analysis of cultural factors that determine the company’s tactics in international negotiations.

The study concluded that the culture of different nations requires special attention and further research to improve the productivity of each company.

**PROBLEM STATEMENT**

With increasing globalisation and internationalisation processes, the interconnectedness of businesses around the world is becoming increasingly important, with more and more firms turning their eyes to foreign countries. As the global marketplace becomes more accessible to businesses, international and intercultural teams are increasingly emerging. That said, one of the biggest challenges for an international company today is managing corporate activities across international borders, where society and culture affect every element of multinationals’ international business. This means that now more than ever, companies need to understand the culture of their overseas market if they are to succeed globally.
Although society and culture are not directly involved in business operations, indirectly they prove to be key elements in determining how business is managed, how and by what means goods are produced, how management and operational models are established and how foreign affiliates succeed or fail.

Thus, multinational companies need to understand the prevailing attitudes, values and beliefs in each host country in order to develop their business activities. At the same time, differences in attitudes and values between the management of the parent business and the subsidiaries at the expat and management level in the host countries, according to Cool, B., Zinker, B., Chiou, W., Kite, L., Cao, N., Perham, M (Cool et al., 2006) [1], can lead to serious problems in terms of functionality, as the management of the foreign subsidiary has no control over socio-cultural variables. Therefore, a multinational business must anticipate the impact of all socio-cultural elements beyond the control of subsidiary management in order to assess the actual performance of the external subsidiary.

**ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS**

In recent years, many researchers have studied various aspects of culture formation and behavioural factors on international business development.

This is primarily due to the fact that most businesses operate in a world where the cultural component is extremely important, has a great impact on the success of transactions and maintains good relationships between partners or employees with different cultures engaged in the same company (Waycott et al., 2009) [2].

According to Yoo, B and Donthu, N (Yoo, B and Donthu, 1998) [3], although budget, target market rivalry and economic structure are important elements that influence firms’ integrated marketing communications channels, culture has a significant influence on customer choice, which was not taken into account by firms many years ago, because culture is what people are and includes the whole life and personality of individuals.

Aaboien, L., Dubois, A., & Lind, F. ((Aaboien et al., 2012) [4] see culture as "a combination of behaviours, beliefs, traditions and symbols passed down from generation to generation" which is essential for "the level of conscious functional integration within geographically dispersed activities" (Hirst, P., & Thompson, G., 1992) [5].

According to Czinkota, (2007) [6], cultural influences have a significant impact on the flow of commerce. Each company has its own unique cultural aspects. These cultural aspects are expressed in the following: — Values and attitudes; religion; customs and manners; nurturing elements and aesthetics; and social institutions.

The need for cultural analysis for planning decisions in international business is pointed out by Czinkota, (Czinkota, 2007) [6], Brooks (Brooks, 2008) [7], Hofstede (Hofstede, 2016) [8], according to whom studying the culture of the local economy is necessary for a business before launching or marketing a product. Only if they conform to the standards, customs, conventions and cultural values of customers will the target market be attracted to a particular product or service. If the cultural norms of the target market are not present in integrated marketing communication channels, they are likely to fail to attract the attention of the target market and therefore incur huge costs, meaning serious losses. Local entrepreneurs and traders take the cultural norms of the market into account, naturally at home. Therefore, the cultural norms of the target market should be studied by the international firm to produce integrated marketing channels (Sojka & Tansuhaj, 1995) [9]. Therefore, international enterprises can become closer to cultural knowledge or perhaps reach the same level as local firms.

**FORMATION OF THE AIMS OF THE ARTICLE**

The aim of the article is to investigate the influence of socio-cultural components of consumer behaviour on international business through the example of Eastern nations such as India, China and Islamic countries, where purchasing decisions are influenced by their cultures and behaviour.

Thus, the objectives of the article are:

1. to identify how existing cultural and behavioural differences affect the transfer of technological knowledge in international business2. Исследовать, как кросс-культурные и поведенческие методы управления влияют на международные бизнес-операции
3. explore the problems that international business may face and how to avoid them.
4. make recommendations to companies engaged in international business.

A quantitative method based on questionnaires will be used to achieve the research objectives. Empirical and theoretical approaches will also be used to collect data.

**STATEMENT OF KEY FACTS**

The impact of cultural diversity on international business has been studied using several theoretical frameworks.

Studies of corporate management across international boundaries were based on the work of Root (1994), Bennett (1995), Ausland et al. (2001), Andish et al. (2013). While agreeing with Root (1994) [10] that the global economy has created a business environment that forces firms to move beyond traditional domestic thinking and instead start looking at business from an international world perspective, we take the view of Bennett (1995) [11], who finds it necessary to analyse the multiple elements that contribute to corporations operating globally. The most obvious of these: the expected economies of size and scale; the prospect of profitable markets not available at home in foreign countries. International competition requires greater market research so that firms can remain relevant in their target market (Clark, 1990) [12]. As a result, firms have an increased need to focus on product creation, quality and differentiation among the various peers in the market. Moreover, firms that have integrated the cultural values of their target market into their communication channels tend to attract the attention of their target market (Hofstede, 2016) [13].

We believe that increased communication, better travel conditions, lower tariff barriers and other factors have resulted in foreign markets becoming more accessible. Many organisations exploited the global market that
created international trade and expanded at an increased speed, mainly in the 1990s and 2000s. Barriers to free trade were limited and eased through the General Agreement on Tariffs and Trade (GATT), the North American Free Trade Agreement (NAFTA) and the Association of Southeast Asian Nations (ASEAN). Economies opened up more and more through transport, communications, financial advances, modes of entry and technology. There was less difficulty in setting up businesses across geographical borders. There were fewer problems. Advanced communications showed exponential growth, creativity increased when businesses were set up across national borders. (Allwood, 2012) [14].

Other important components of international business are strategic management and cross-cultural management. International strategy requires recognition of the economic, political, legal and technical international environment, as well as its cultural dimension, the most significant of which can be summarized as national culture. Decision-making involves entering and owning international markets. Problems of cultural differences can also be identified in ideas drawn from the field of cross-cultural management, which international trade theorists have created separately (Andish et al., 2013) [15].

Research based on Transaction Cost Economics (TCE) has found that businesses need to make strategic management decisions (Richards & Yang 2007) [16] and an acquisition method to minimise transaction costs. These dimensions include power distance (PD) and long term orientation (LOM). Researchers also note that a higher cultural distance leads to more disputes, which may increase the cost of the transaction. The choice of internationalisation strategy must be negotiated to ensure equivalence for many stakeholders in order to reduce the costs associated with such uncertainty. TCE-based designs tend to be consistent with institutional theory, in which political risk and technical hierarchical issues/management. (Paul et al., 2019) [17] are aligned to reduce transaction costs. In the area of cultural differences, resource dependency theory (RCD) complements TKE as it emphasises the strategic importance of resources and capacity acquisition and the requirement for firms with limited resources to acquire them externally. These external skills are difficult to learn with significant cultural differences, so companies may seek to diversify their dependence by establishing different partnerships with suppliers. (Griffith et al., 2009) [18] or by incorporating strategic resources (Shevchuk, OI, 2015) [19], interactions between partners in activities such as collaboration, knowledge transfer (Sarala & Vaara, 2010) [20], (Ilyash, OI, 2022) [21].

Having said that, strong leadership preference for culturally comparable environments is a key problem in an international company (Achinivu, 2017) [22]. One of the biggest challenges managers face in a global company is successfully adapting to other cultures, perceptions and values. Ahiauzu (1986) [23] stresses the importance of culture among sociologists and, in particular, managers and theorists of a predominantly culturally related approach to management patterns and employee behaviour.

Our study of the impact of socio-cultural factors on transnational business activity was conducted using examples from China, India and Pakistan. We note that geographical factors are an important factor in the development of international business and determine the characteristics of the culture of the people living in the same territory. Sixty participants were selected from all the countries. The total number of respondents was 180. Figure 1 shows the distribution of participants by age. The table shows that 16.7% in China, 42.4% in India and 30% in Pakistan were aged 18—25 years, 38.3% in China, 20% in India and 11.7% in Pakistan were aged 26—40 years, 25% in China, 17.6% in India and 31.7% in Pakistan were aged 41—50 years, 20% in China, 20% in India and 26.6% in Pakistan were aged 51—60 years.

Table 1 presents the socio-demographic characteristics of the respondents in this study. A total of 180 respondents from China, India and Pakistan (60 from each country) participated in the study. The majority of respondents 56.7% in China, 45% in India and 43.3% in Pakistan were female, while 43.3% in China, 55% in India and 56.7% in Pakistan were male. A large percentage of
respondents 56.7% in India and 58.3% in Pakistan were married, while in China 26.7% of respondents were married. In addition, a large number of respondents 53.3% in China, 40% in India and 36.7% in Pakistan had higher education.

However, 37 (61.7%) of the study participants believed that culture was the main issue affecting international business, 53 (88.3%) noticed cultural differences in the country they visited, 25 (41.7%) of them believed that culture negatively affected business, and 46 (76.7%) of the respondents believed that culture affected the business objectives of the organisation. Knowledge of culture was not significantly related to age, year of employment, marital status and education level (P > 0.05). 46 (76.7%) respondents believed that it is important to train staff (about culture) before sending abroad, 40 (66.7%) respondents said that the business organisation acts socially responsible and 28 (46.7%) of them believed that the business organisation has a zero tolerance policy for any kind of discrimination.

Regarding negotiations between trading partners from different cultures, language is one of the main difficulties and there are some cultural features in the negotiation scenario (Tayeb, 1998) [24]. As can be seen from the survey, the majority of respondents 38 (63.3%) felt that culture affects the negotiation process and 48 (80%) agreed on the importance of culture in the negotiation process (Table 2).

In summary, the findings of this study show that culture sometimes has a decisive influence on both the negotiation process and the pricing of negotiations. Failure to bargain effectively because of culture-related problems may not lead to an overall commercial failure. The three problems appear to be interrelated. When a firm goes overseas, culture is usually a significant issue that affects any overseas cooperation. There may be various cultural differences that can affect the company. For example, language, attitudes and discrepancies in negotiations can be mentioned. Thus, culture can affect all cooperation between a company and a foreign country, and this can lead to conflicts and misunderstandings if cultural differences cannot be managed. Unknown companies may suffer significant losses and fail to cope with future business overseas. Mistakes can be difficult to correct and future cooperation is sometimes impossible.

Based on the results of many surveys, it can be concluded that successful multinationals can succeed if they accept and know the cultural differences of different countries and learn to exploit the opportunities and cope with the disadvantages of diverse national cultures.

**CONCLUSIONS**

Every business today that enjoys international commerce must understand the beliefs and values underpinning their country’s business and management practices, prevent cultural errors and understand the national and organisational cultures of other countries.

### Table 1. Socio-demographic Characteristics of the Respondents

<table>
<thead>
<tr>
<th>Variables</th>
<th>No. of Participants</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>34</td>
<td>27</td>
</tr>
<tr>
<td>Male</td>
<td>26</td>
<td>33</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>44</td>
<td>26</td>
</tr>
<tr>
<td>Married</td>
<td>16</td>
<td>34</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Degree</td>
<td>19</td>
<td>12</td>
</tr>
<tr>
<td>Diploma</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Post-Graduation</td>
<td>32</td>
<td>24</td>
</tr>
</tbody>
</table>

### Table 2 Impact of culture on international business

<table>
<thead>
<tr>
<th>Variables</th>
<th>No. of Participants</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It is important to educate the personal (about culture) before sending them abroad</td>
<td>46</td>
<td>76.7</td>
</tr>
<tr>
<td>Business organization dedicated to individualism or collectivism analysis</td>
<td>23</td>
<td>38.3</td>
</tr>
<tr>
<td>Business organization operates in a socially responsible manner</td>
<td>40</td>
<td>66.7</td>
</tr>
<tr>
<td>Business organization adheres to a zero-tolerance policy against any kind of discrimination</td>
<td>28</td>
<td>46.7</td>
</tr>
<tr>
<td>Manager shared decision making power with you</td>
<td>19</td>
<td>31.7</td>
</tr>
<tr>
<td>Negotiation Process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture affects the negotiation process</td>
<td>38</td>
<td>63.3</td>
</tr>
<tr>
<td>Differences arise between the international market and the home market during pricing negotiations</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Importance of culture during the negotiation process</td>
<td>48</td>
<td>80</td>
</tr>
<tr>
<td>Culture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture is one of the main issues that affect international business</td>
<td>37</td>
<td>61.7</td>
</tr>
<tr>
<td>Notice cultural differences in the country they visited</td>
<td>53</td>
<td>88.3</td>
</tr>
<tr>
<td>Culture affected business negatively</td>
<td>25</td>
<td>41.7</td>
</tr>
<tr>
<td>Noticed positive cultural differences in doing business abroad</td>
<td>32</td>
<td>53.3</td>
</tr>
<tr>
<td>Major elements of culture impact doing business in abroad more than basic elements of culture</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Comfortable with your work place culture</td>
<td>55</td>
<td>91.7</td>
</tr>
<tr>
<td>Culture impacts the organization business goals</td>
<td>46</td>
<td>76.7</td>
</tr>
<tr>
<td>Noticed culture of team work and cooperation with in the organization</td>
<td>34</td>
<td>56.7</td>
</tr>
</tbody>
</table>
People from different cultural backgrounds often have different underlying assumptions that influence many levels of international commercial discourse. For example, trust between parties, mutual attitudes during negotiations, and strategies and flexibility during negotiations may be influenced. If a firm is preparing to negotiate, it needs to think about the other side of the culture, such aspects of the other nation’s culture. This is one of the reasons why culture is one of the major issues in global business. Language is one of the most important issues for international business from a cultural perspective.

Obviously, firms' marketing teams must take into account and analyse culture after examining the cultural factors that influence the marketing tactics adopted by companies. Marketing teams should investigate several categories of target markets. In addition, the cultural components of the target group should be considered in the communication channels used by the promoters. Future research should take into account the influence and impact of socio-economic characteristics on the group’s marketing channels.

In other words, culture permeates a wide range of decisions made by multinational enterprises, which makes a lot of sense since these enterprises are controlled in countries that operate on the basis of separate values, beliefs and goals. We cannot fail to see that the business environment is changing in many ways. The cultural context is also one of the most challenging areas for most foreign markets. Foreign firms have to comprehend the diversity of cultures in order to understand and influence the desires and demands of consumers. In order to reduce cultural differences, they need to be managed.

Literature:
References:


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