

The influence of cultural differences on the e-business strategy

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Abstract

As the e-business developed fast and more firms embrace CRM as a core e-business strategy, it is getting more important to assess the firms.

The CRM is approaching customer-centric. This approach focuses on the long-term relationship with the customers by providing the benefits of the customer rather than based on what the company wants to sell. How to establish the overall efficiency and effectiveness of a global enterprise becomes more and more important to the E-business. The study investigates the cross-national psychometric prosperities of the establishment in the E-business. Using a cross-national survey of customers from Korea and China to compare the Korean customers' acceptance of e-business with the Chinese customers', and compare the development of e-business in Korea with the development in China it will be found that Korea and China samples shared a somewhat similar factor structure. And there are also some differences between Korea and China. These findings suggest that the way to establish the e-business strategy is influenced by the cultural effects. So focusing on the cultural differences among the countries becomes more and more important, this study will help to analysis how to use the different cultural dimension to establish the better CRM system in the e-business field.

Keywords: e-business strategy, CRM, cultural differences, different cultural dimension

Introduction

E-business uses the new family of technologies available on the internet. These technologies

enable people to communicate in new ways, provide new business opportunity, permit business to operate more efficiently and take advantage of the new global network economy.

Doing business on internet is the main way of E-business; it has fundamentally changed the economics of business transition and provided new and different ways of conducting business. The internet has created new forms of empowerment for individuals, new types of communities and new tools for dealing with social issues. Now the internet is reinventing entire markets so establishing the relationship of customers is an essential e-business strategy

Customer relationship management (CRM) helps companies improve the profitability of their interactions with customers while at the same time making the interactions appear friendlier through individualization. To succeed with CRM, companies need to match products, distribution channel and campaigns to prospects and customers.

Using the Internet and e-business to provide products and services and information to customers require that you really know and understand your customers' needs. Cultural differences will influence the customer's attitude to the e-business, so cultural factors

become more and more important when establish the e-business strategy.

To build a relationship with customer is a socio-technical process. The most important factor in that process is to understand how that customer values, norms, thoughts, perceptions, etc., are alike. Multinational organization deal with customers from many different cultures. CRM systems in multinational organizations are built to attract new customers, increase customers' value and retain customers, and in all cases these may be with different customers and from different cultures.

Within Korea, China and other countries of Asia, recent growth in end-user computing, and the decentralization of e-business have resulted in a transition of the establishment of CRM. As the oversea e-business developed fast the cultural factors play a more and more important role in determining the e-business strategy.

Since the CRM is not established, it should be tested cross-culturally before general application. This study investigates the cross-national psychometric properties of CRM with samples from Korea and China. The two countries represent the Asia and successful models of e-business development.

Research background

The literature on culture provides a set of general concepts and ideas as a way of looking at the world. However, the typologies of culture have inherent weaknesses. For example, they do not reflect the variety of values and attitude that

may exist in a country, nor do they explain how cultures have developed over time. These limitations will need to be borne in mind, when considering the potential impact of culture on the use of establishing the e-business strategy, particularly CRM.

Stahl (2003) has concludes that, despite obvious difference in cultures, there are similarities that are based on human nature. There are three identified types of culture that are of relevance (Ali & Alshawi, 2004a). First, there is culture that a society shares (national culture), a set of core values that shape the behavior of individuals as well as the whole society. Second, there is the culture on a smaller level, namely organizational culture (Adler 1997; Bagchi and Cervený 2003). Third, there is the individual level of culture, as shown by Dorfman and Howell (1988) in their investigation into the effects of national culture on individual behavior, e.g. technology acceptance, which influences the customer behavior even in the opposite direction that the society culture is pushing.

The CRM and e-business strategy

The development of e-business and CRM in Asia

The e-business revolution has arrived to the Asia at the end of the 20th century. The Internet has become also for our region what researchers and some visionaries predicted it would be—the backbone of modern business.

Customer Relationship Management (CRM) belongs to e-business applications which are developing fast not only thanks to new possibilities brought by technology, but also thanks to changing attitudes and expectation of customers. It is not enough to cooperate with the

customers, but it is important to understand their cultural background. Tendency to innovate all business processes focused on customer and evident market success of CRM products are not only directly connected, but they support each other.

Being fully aware of the fact that modern model of the e-business gives new CRM process possibilities. We understand CRM as a company strategy including people, company processes and technology, whose aim is to maximize the value of relationships with company customers.

CRM and the Customer Life Cycle

Finding the customers

The process starts with finding customers. The internet allows you to attract customers in two ways: 1) getting them to find you through search engines, links, and alliances with other sites/ and 2)by proactively finding them and sending material electronically. The number one way people find online business is through search engines. There are a number of general-purpose engines where you can be registered, such as Google, Yahoo!, and MSN. Because each of the major engines works differently in the way they index information, it is advised that companies engage a person or company that has experience in this activity. A knowledgeable service provider will provide you with prominent placement in the searches.

Building value for the customer

When the customers have been found, it is important to find ways to add value to the relationship. Keep in mind that value is in the mind of the customer. Find out what they perceive to be valuable by surveying them either online, by phone or by regular mail.

Establishing long-term relationships

As you gain more experience with online services you might use more sophisticated ways to build customer loyalty and strong relationships. Building customized or personalized sites for your customers to use will provide both added services and give customers a reason to return regularly to your e-business.

E-loyalty

It is easy to get customers to visit your website for the first time. It is much more difficult to get them return. You must create value for the return visitor. Ensuring you have good content can do this. Acknowledging the purchasing history of a customer and thanking them for the business when they return to the site can earn loyalty.

Cultural dimension

For the purposes of discussing CRM, we need to think of the “ customer” in the broadest sense. Our definition needs to include suppliers, partners, investors, employees, and others we deal with in or definition. Each of these groups has specific and unique requirements when dealing with your organization. Customers need to be able to find out about your products and services and be able to make purchases. You have to understand each customer’ s activity so that you can make offers of complimentary products and new products that you may provide.

Online customers are different from those who are able to contact you and deal with you directly. They have a unique set of expectations. Generally, they expect immediate service, either by finding what they need on your site themselves; or they may expect that the goods or services be delivered without delay.

Different people from different countries will have different cultural background, so they different culture dimensions which will influence on the CRM systems implementation and operation.

Ail & Alshawi(2005) proposed many cultural dimensions in their framework for the management of CRM implementation and operation in the multinational environment. A summary of these cultural dimensions and their definitions are shown in Table1.

Table 1 A framework of Culture Dimensions(Ali, & Alshawi 2005)

| Culture Dimension | Definition |
|---|--|
| Uncertainty avoidance(UA) (hofstede,1980 ,1983,1994a; Trompenaars,1 | Degree to which people in a country prefer structured over unstructured situations: from relatively flexible to extremely rigid. |

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|--|---|
| 993) | |
| Power Distance(PD) (Hofstede,1980 ,1983,1994a) | Degree of inequality among people, which the population of a country considers as normal: from relatively equal to extremely unequal. |
| Confucian Dynamism (Hofstede, 1994b) | Degree to which people in a country promote collective welfare and harmony, resulting in psychological collectivism. |
| Universalism-Particularism (Trompenaars, 1993) | Degree to which people in a country compare generalist rules about what is right with more situation-specific relationship obligations and unique circumstances. |
| Neutral vs. Emotional relationship orientation (Trompenaars, 1993) | Degree to which people in a country compare ' objective' and ' detached' interactions with interactions where emotions is more readily expressed. |
| Communal Sharing Relationships | Degree to which people in a country see the members of a particular group as equivalent and undifferentiated. Group members favor their own group, and can be highly hostile to those outside that group(this concept is so close to Hofstede' s notion of collectivism). |
| Equality Matching Relationships(Fiske, 1992) | Degree to which people in country stress equality in social relations. People here are aware of where imbalances occur and, operating under the norm of reciprocity |

The theoretical basis for this paper draws on Structuration theory by Giddens(1979,1984). Walsham(2002) stated that this theory has been highly influential in sociology and the social sciences generally. The focus for this paper

however, will be on how Structuration theory can offer a new way of looking at cross-cultural research and e-business strategy.

Cultural dimensions of Korea and China and the e-business development in the two countries

China is the world' s largest market, with a population of 1.3billion people, and now China is the country that has the second most netizens in the world. China is a blend of growing modernization and ancient culture. Anyone considering the Chinese market should never underestimate the importance of culture.

Since 1999, China has set up the first website of B2C so that to develop the online shopping. But the development of the online shopping is not smoothly for most of people cannot accept the new form of shopping. China has nearly 5000 years of history, so the people have the traditional way to solve the problems and accept the newborn things. Confucius, china' s greatest sage established a system of ethics, moral, hierarchy and behavior, setting the rules for people dealing with things, One of the most important thing to make Chinese do shopping online is that make them believe your honesty.

Throughout much of Chinese history, the fundamental glue that has held society together is concept of relationships between people. Today this means who you know and what these people believe their obligations are to you.

With a good network of contacts in China, almost anything can be accomplished. Relationship is how things get done. The power of relationship is

one of the reasons given for why china didn't accept the online shopping 10 years ago. Chinese like to communicate with sellers face to face, because it will make them to have the sense of security that the goods they have bought.

China is one of the most exciting markets in the world. It is also one of the most challenging. The understanding how to do e-business effectively with the Chinese is essential in today's competitive marketplace.

South Korea is the one of the members of the Asian "four dragons" and successful models of e-business development. As in other Asian countries, Korea has embraced the internet with passion, which may in fact be one of the keys to its economic development.

The concept of building relationships is also important in the Korean culture. Koreans have been known to enjoy humorous exchanges with Westerners. They often show more inclination to sign contracts than Chinese, but like other Asian countries, also believe that contracts are a starting point rather than the final stage.

General research propositions

Based upon the discussion above, the following general research proposition is posed: the different cultural dimensions influence on the CRM and how to use the knowledge of cultural dimension to build a effective customer life cycle. This general proposition is exploratory in nature. While cultural differences among nations have been found in the previous theoretical and empirical research, the impact of cultural

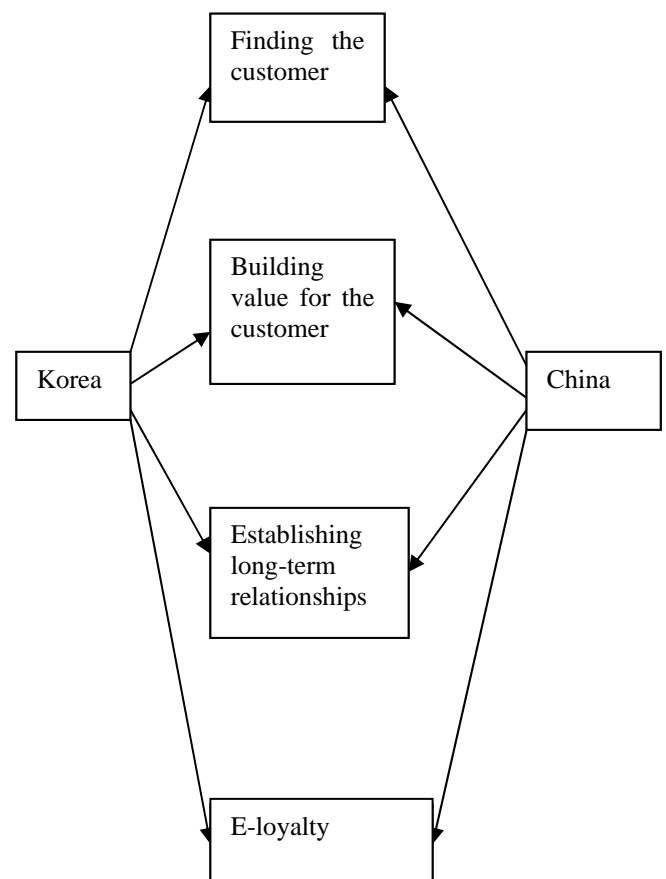
differences on CRM has not been studied empirically.

Research methodology

Instrument and sampling

The case study is one of several ways of doing social science research. In this research the aim is to explore the potential cultural issues that may influence CRM implementation and operation of the built of customer life cycle in the multinational organizational environment. Since the study concerns social and cultural phenomena within CRM implementation.

The model of graph 1 described that the cultural influence on the customer life cycle both in Korea and China. And different cultural dimensions will impact on the customer life cycle.



Korea and China share the same situation in the individualism index, but the other cultural dimensions are different. The model is used to analyze the differences influence on the customer life cycle. What should be considered during the four steps of the establishment of the CRM, and how to use the difference to make the customers accept the online shopping more easily.

Future research

Cultural factors are often identified as having a crucial influence on the success or failure of CRM in particular. It is argued that Hofstede's cultural dimensions, which is the most cited study is not appropriate for studying the potential cultural impact on CRM implementation. This paper just show how to use different cultural dimension to establish a effective customer life cycle, and other factors should also be included in the CRM discipline.

Future research should focus on the CRM that are appropriate given national differences. It may include the identification and development of completely new dimensions and instruments of customer life cycle that reflect alternative cultural views of quality.

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