

The Influence of Cultural Factors on International Business PT Mayora Indah Tbk

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Abstract

The influence of cultural factors on international business is a critical aspect to consider for companies expanding into global markets. This study analyzes the impact of cultural factors on PT Mayora Indah Tbk's international business operations, focusing on managerial orientations, the four risks of international business, and SWOT analysis. Utilizing a qualitative approach through secondary data analysis, the research reveals insights into PT Mayora Indah Tbk's ability to penetrate the Indonesian market and expand into larger markets in Asia. Despite its success, the company faces challenges such as the need for product innovation, effective marketing strategies, and increased promotion in international markets to sustain its growth. The study identifies managerial orientations such as ethnocentric, polycentric, and geocentric approaches adopted by PT Mayora Indah Tbk to navigate international markets. Additionally, the analysis highlights the four risks of international business, including cross-cultural risk, country risk, currency risk, and commercial risk, and proposes strategies to mitigate these risks. Through SWOT analysis, the study identifies the company's strengths, weaknesses, opportunities, and threats in international business, providing recommendations for improving market share, expanding into new markets, developing innovative products, implementing effective marketing strategies, controlling associated risks, enhancing product innovation, and maintaining competitive prices. Ultimately, this research contributes to understanding the complex interplay between cultural factors and international business operations, offering valuable insights for companies seeking to thrive in the global marketplace.

1. Introduction

PT Mayora Indah Tbk, founded in 1977, is a high-quality food producer. Over the years, the company has established itself as a leading player in the Indonesian market and has successfully expanded its presence to other Asian countries. Currently, its products are distributed across five continents globally. The company's vision and mission emphasize its commitment to producing quality and trustworthy food and beverages for both domestic and international consumers. Additionally, PT Mayora Indah Tbk aims to capture the largest market share in its product categories, operate profitably above industry standards, provide value to stakeholders, and contribute positively to the environment and the countries where it operates. Engaged in various segments of the food and beverage industry, PT Mayora Indah Tbk operates six divisions, offering a diverse range of products including biscuits (Roma Marie Milk, Roma

Coconut), confectionery (Kopiko, KIS), wafer (Beng Beng, Roma Chocolate Wafer), chocolate (Choki Choki, Drink Beng Beng), coffee (Torabika), and health food (Energetic, Prima Cereal).

The objective of this study is to analyze the cultural factors influencing PT Mayora Indah Tbk's international business expansion and identify areas for improvement to enhance its competitiveness in international markets. Additionally, the study aims to understand the prevailing business culture within PT Mayora Indah Tbk. The motivation behind this research is to gain insights into how cultural factors impact the company's international endeavors as it ventures beyond Indonesia and expands its product offerings overseas. Furthermore, the study seeks to identify the dominant business culture within PT Mayora Indah Tbk to better align its strategies with international business practices.

2. Literature Review

2.1 International Business

Is an activity that involves buying and selling products and services in more than one country. These activities include cross-border trade, foreign investment, cross-border financing, relations between organizations, and the movement of human resources. Apart from that, international business also includes cooperation between organizations based in various countries in terms of strategy, business alliances, and so on to increase company revenues. (Suprpto et al., 2023).

2.2 Culture

Culture can be seen as a collection of values, norms, practices, and products that are shared and accepted by a group of people and passed on from one generation to the next. (Ningsih, 2021). Culture functions as a grip on society that binds members to a common identity. This allows communities to share an understanding of how their world functions (Monica Tjuatja, 2022)

2.3 Managerial Orientation

a. Ethnocentric Orientation

An organizational approach in which a company is managed and operated with the primary focus to benefit the parent company or home country. This approach is most often seen in large multinational companies where the headquarters is located in one country and the company has operations in several countries (Sengupta et al., 2021).

b. Polycentric Orientation

The organizational approach in which the company is managed and operated with a primary focus on helping the host country. This approach is most often found in large multinational companies where the headquarters is in one country and the company has operations in several countries. The Company will adapt its operations to meet the needs of the host country and take into

account local laws, customs and culture. (Sudiantini, 2022)

c. Geocentric Orientation

An organizational approach in which a company is managed and operated with a primary focus on benefiting global markets. This approach is most often seen in large multinational companies where the headquarters is located in one country and the company has operations in several countries. Companies will consider the needs of each market and operate in a way that benefits the entire global market, not just the home or host country (Hill et al., 2023).

2.4 The Four Risks of International Business

There are four risks that need to be considered before engaging in international business, namely Commercial Risk, Cross-Cultural Risk, Country Risk, and Currency Risk (Du & Schreger, 2017).

1. Cross-Cultural Risk

Cross-cultural risk refers to situations or events where miscommunication between cultures occurs. This situation arises in a new environment characterized by an unfamiliar language, different systems and values, and unique beliefs and behaviors. Miscommunication due to cultural differences can lead to inappropriate business strategies and ineffective relationships with customers, affecting productivity, operations, and communication between organizations. Cross-cultural risks can escalate into conflicts, reputational risk issues, and governance problems.

2. Country Risk

Country risk refers to the potentially detrimental effects on the operations and profitability of a company caused by differences in the political, legal, and economic environments of foreign countries. It includes the possibility of foreign government intervention in a

company's business activities (Moczydlowska et al., 2023).

3. Currency (Financial) Risk

Currency risk refers to the risk faced by investors or companies operating in different countries, regarding unexpected gains or losses due to changes in the value of one currency in relation to another currency.

4. Commercial Risk

Commercial risk refers to the potential losses a company may face from strategies, tactics, or business procedures that have been developed or are currently being implemented. Managers of a company are likely to make poor choices in areas such as selection of business partners, timing of market entry, pricing, creation of product features, and themes for promotions. Such failures, common in domestic businesses, can be even more costly when conducted abroad (Fauzi et al., 2022).

2.5 Hall's High- and Low-Context Typology of Culture

1. High-context Culture

High-context culture is characterized by the use of contextualization to communicate information, implying that information is understood within a previously established context.

Features of High-Context Culture:

- Relationship-oriented culture.
- Communication relies on assumptions.
- Strong reliance on non-verbal cues.
- Strong kinship among group members.
- Time is needed to build relationships.
- More information is implied rather than explicitly stated.

2. Low-Context Culture

Low-context culture relies heavily on explicit information to convey messages, requiring information to be conveyed explicitly and in detail to ensure understanding (Lubis et al., 2023).

Features of Low-Context Culture:

- Information-oriented culture.
- Communication is based on facts.
- Weak reliance on non-verbal cues.
- Weaker relationships among group members.
- Less time is required to build relationships.
- Information is more explicitly conveyed.

2.6 SWOT analysis

SWOT Analysis Theory is a strategy that helps organizations identify the opportunities and challenges they face. It helps organizations to identify internal strengths and weaknesses, as well as external opportunities and threats. It is a standard way to evaluate current business conditions and determine the appropriate direction for future development (Rochman & Putra, 2022).

1. Strength

Strength refers to an advantage that an organization possesses, contributing to its profitability and success in business. It encompasses elements such as the organization's expertise in products and services, its reputation in the market, and its ability to increase revenue and achieve cost savings.

2. Weakness

Weaknesses are factors within a business that impede its success and effectiveness. These may include issues such as low product or service quality, inadequate technological support, insufficient human resources, weak infrastructure, and other internal deficiencies.

3. Opportunity

Opportunities represent external factors that organizations can leverage to enhance their performance and achieve growth. These may include opportunities for market expansion, advancements in technology that can be capitalized on, improvements in management capabilities, and other favorable external circumstances.

4. Threat

Threats are external factors that pose potential risks or challenges to the success of an organization. This could involve competition from other organizations, pricing pressures in the market, regulatory changes or government interventions, and other factors that may adversely affect the organization's operations and prospects.

3. Research Methods

The appropriate research methodology is to use a qualitative approach with secondary data analysis. Data will be collected from various secondary sources, including the official website of PT Mayora Indah Tbk, academic journals, research papers, books, and other reliable sources related to international business and cultural factors.

After data collection, theme analysis will be conducted to identify patterns, themes, and emerging insights relating to cultural factors affecting the international business operations of PT Mayora Indah Tbk. Findings will be interpreted in the context of the research objectives to draw meaningful conclusions and provide valuable insights. It is important to recognise the limitations of this study, including limitations in secondary data coverage and potential biases in the literature reviewed.

However, this methodology will provide a systematic framework to conduct an in-depth analysis of the influence of cultural factors in the global business operations of PT Mayora Indah Tbk, which is expected to provide useful recommendations to enhance the company's competitiveness and success in the international market.

4. Results and Discussion

4.1 Managerial Orientation

PT. Mayora Indah Tbk has a professional work culture and customer orientation. The company continues to expand rapidly to become an ASEAN-based company. One of his businesses is establishing production facilities and several marketing offices located in several

countries in Southeast Asia. Currently these products have been distributed to more than 52 countries in the world such as the United States, Australia, the Netherlands, Germany, Japan, Iran, Italy, England, Spain, South Korea, Saudi Arabia, Portugal and several other countries. Products distributed to foreign countries always adapt to the tastes of that country.

4.2 The Four Risks of International Business

a. Cross-Cultural Risk

Cross-cultural risk can arise when a company engages in business activities with individuals from different cultures. PT Mayora Indah Tbk must ensure that it understands the risks associated with diverse cultures to manage them effectively and avoid conflicts. For instance, conflicting beliefs and norms that diverge from the values and principles of the company's country of origin may create cultural gaps leading to disputes and hinder PT Mayora's competitiveness in foreign markets. To mitigate these risks, PT Mayora fosters an attitude of mutual respect among various racial and cultural groups, demonstrating polite and considerate behavior, which serves as an essential first step in preventing cross-cultural conflicts.

b. Country Risk

As a company that distributes its products globally, PT Mayora Indah Tbk is subject to the influence of the political, economic, and legal environment in each country where it operates. This risk includes customs fees imposed by export destination countries, which can impede export growth by increasing product selling prices. To address this challenge, the company adopts efficiency principles across all operations to maintain competitive selling prices despite taxation and other related costs.

c. Currency (Financial) Risk

The instability of foreign currency exchange rates relative to the Rupiah can have

an uncertain impact on PT Mayora Indah Tbk's production costs and product selling prices. Although the company sources raw materials domestically, exchange rate fluctuations, particularly against the USD, can affect the prices of imported goods or materials purchased locally. Consequently, significant changes in exchange rates may affect the company's overall costs. PT Mayora manages this risk by generating income from export sales, thereby mitigating the impact of currency fluctuations on its financial stability.

d. Commercial Risk

Commercial risk for PT Mayora Indah Tbk encompasses various aspects of the company's commercial activities, including financial, operational, reputation, and compliance risks. To address these challenges, the company implements a comprehensive risk management policy aimed at identifying, evaluating, and controlling potential risks. This proactive approach involves taking necessary actions to minimize risks and ensure the company remains on course to achieve its objectives.

4.3 SWOT analysis

A swot analysis of the company PT Mayora Indah Tbk in international business, including:

1. Strength:
 - Prioritize high product quality.
 - Experienced in international business.
 - Availability of various products.
 - Established since 1979.
 - Has a wide distribution network.
 - World class technology.
2. Weakness:
 - Does not yet have a large market share in the international market.
 - Lack of product innovation.
 - Difficulty maintaining competitive prices in international markets.
 - Lack of promotion in international markets.

3. Opportunity:
 - Establish cooperation with big players in the international market.
 - Adding expansion markets abroad.
 - Develop new and innovative products that can attract the interest of international consumers.
 - Enter new markets with the right marketing strategy.
4. Threat:
 - Tight competition from other manufacturers in the international market.
 - Fluctuations in currency exchange rates.
 - Unfavorable changes in international trade policy.
 - Government policies that hinder international business.

5. Closing

5.1 Conclusion

Based on the research conducted, several potential conclusions can be drawn regarding PT Mayora Indah Tbk's capabilities and prospects. Firstly, the company demonstrates the ability to effectively serve the Indonesian market and has the potential to expand further into larger markets, particularly across Asia. Engaged in the food and beverage industry, including its renowned Delicious division producing a variety of products, PT Mayora Indah Tbk boasts several strengths. These include maintaining high product quality, extensive experience in international business operations, offering a diverse range of products, possessing a wide distribution network, and utilizing world-class technology.

However, despite these strengths, the company needs to focus on enhancing product innovation, intensifying promotion in international markets, and formulating appropriate marketing strategies to facilitate its international business development. Additionally, PT Mayora Indah Tbk must also be mindful of threats such as intense competition, currency exchange rate fluctuations, changes in international trade

policies, and potentially restrictive governmental regulations affecting international business operations. By addressing these challenges while leveraging its strengths, PT Mayora Indah Tbk can effectively navigate the complexities of international business and realize its potential for growth and success in both domestic and international markets..

5.2 Suggestion

Based on the results of the research conducted, the following recommendations can be provided:

1. Collaborate with major players in the international market to expand market share. PT Mayora Indah Tbk should partner with large retail companies, distributors, and online platforms to broaden the reach of its products overseas, thereby enhancing international sales.
2. Expand into new foreign markets by establishing production facilities and marketing offices in Southeast Asian countries. This expansion strategy will help PT Mayora Indah Tbk increase market coverage and capture a larger share of the international market.
3. Continuously innovate and develop new products that appeal to international consumers. By introducing innovative products, PT Mayora Indah Tbk can attract more consumers abroad and boost international sales.
4. Enter new markets with well-defined marketing strategies tailored to each target market. Effective marketing strategies will facilitate market penetration and increase the company's presence in foreign markets.
5. Actively promote products on the international stage through advertising, social media, and other channels to enhance brand awareness and expand market share overseas.
6. Implement measures to manage various risks associated with cross-cultural differences, export destinations, currency fluctuations, and commercial risks. This

proactive approach will help mitigate conflicts and ensure proper risk management.

7. Enhance the company's capability for product innovation to continually captivate consumers in international markets and maintain a competitive edge.
8. Maintain competitive pricing strategies in international markets by increasing operational efficiency to achieve competitive selling prices and sustain market share abroad.

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