

# ЕКОНОМІЧНІ НАУКИ

UDC 338

## CORPORATE POLITICAL INVOLVEMENT IN BUSINESS ENVIRONMENT

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Globalization is more prominent than ever before. Multinational companies (MNCs) have spread to all corners of the world and the American soft drink giant the Coca-Cola Company is a great example of this: since 2012 it has been operating all across the world, except North Korea and Cuba. And according to some reports, it can be found in those two countries as well (Hebblethwaite, 2012). This proves that, despite different cultural backgrounds, taste preferences and habits, standardized food and drink products can succeed worldwide. This is where our topic comes to play. In this study we look at how the American ice cream company Ben & Jerry's can successfully penetrate the Vietnamese ice cream market.

**Keywords:** Ice cream, Ben&Jerry's, Vietnam, Strategy.

**Introduction.** Naturally when penetrating a new market, the culture of that market needs to be understood and analyzed. We are using the most well-known theory about culture, Geert Hofstede's (2011) cultural dimensions theory, and use it to compare the United States (original market) and Vietnam (target market). We will dissect all the dimensions used in the Hofstede's theory and look where the US and Vietnam stand, to gain a better understanding on the subject. When all the dimensions are dissected we try to find methods and solutions on how an Ben & Jerry's can company penetrate the Vietnamese market.

**Problem** is the integration to Vietnamese ice cream market.

**The subject** of the topic is Ben&Jerry's ice cream company and its strategy.

**The goal** is determine the literature overview for Ben&Jerry's company for integrating to Vietnamese ice cream market.

### Dimensions of the Hofstede's theory in case of Vietnam and USA

First we take a look at power distance. Power distance in a nutshell is "the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally." For example, China scores high in this dimension (80). So it is fair to say that in the Chinese working environment employee-manager relationships are very hierarchical and people think that inequalities among them are acceptable. Employees don't want to challenge their managers and strictly follow orders. Rank is an important factor in China. For example when attending a business meeting an employee must find the one with the highest rank and greet him/her first (Hofstede, 2011).

The power distance is quite different between the US and Vietnam. USA scores 40, which is not really surprising taking into account the whole "liberty and justice for all" mentality. Equal rights are taken seriously. This also means that the working environment differs a lot from the Vietnamese environment. In USA "hierarchy is established for convenience, superiors are always accessible and man-

agers rely on individual employees and teams for their expertise" (Hofstede Insights & USA, 2017).

The second dimension and the one with the biggest gap between the two countries is individualism. Individualism is "the degree of interdependence a society maintains among its members". Is the mentality of the people more "we" or "I" oriented? In individualistic societies people are suppose to take care of themselves and their immediate family (wife, children etc), whereas in collectivist societies people are part of bigger groups. The groups take care of their individuals in exchange for unquestioning loyalty (Hofstede, 2011).

The two countries are like night and day in this dimension. USA scores a high 91, whereas Vietnam's score is quite low (20). In Vietnam loyalty is everything and strong relationships are formed between the members of a group. Because of this strong group mentality it is common in Vietnam to "lose face". According to the Oxford Dictionary "to lose face" means: "Be humiliated or come to be less highly respected". But this doesn't just include the group members, loss of face can even happen with western companies during e.g. negotiations with Asian companies. Both parties need to be aware of each other's culture. For example, shouting can be normal in the States, but is something that should be always avoided in Vietnam (Hofstede Insights & Vietnam 2017).

Third up comes the masculinity dimension. If a society is masculine, it will be driven by competition, achievement and success whereas feminine societies value quality of life and caring for others. When a masculine society is asked what motivates them, usually the answer is something like "wanting to be the best", whereas in the feminine society the answer would be "liking what you do" (Hofstede, 2011).

Not surprisingly the situation in Vietnam is almost totally reversed. Vietnam is considered to be a feminine society, which means that people "work to live". Standing out from the crowd is not commendable, unlike in the US. Free time and flexibility with working hours are appreciated (Hofstede Insights & Vietnam, 2017).

The fourth dimension, uncertainty avoidance, is the dimension that has the most similarities between the two countries. Uncertainty avoidance deals with the fact that the future can not be known. So the main question here is: should the future be controlled or should it just happen? If a country belongs to the low uncertainty avoidance group, it doesn't care much about the future and normally let's it happen without government implementing laws and regulations. Low score usually also tells that innovation and new inventions are welcomed and not seen as threatening. (Hofstede, 2011.) USA scores 46 and Vietnam scores 30 making both of them low uncertainty avoidance countries. This means that both countries have a lot of similar features, for example:

- Both countries welcome innovation and are tolerant of new ideas and opinions.

- The countries don't have an abundance of complicated laws (well the US has some ridiculous laws, but generally Americans don't require a lot of rules and this becomes evident when the country is compared with a high uncertainty avoidance country, like Germany).

- The result is more important than the practice. It doesn't matter how you achieve the goal.

The fifth dimension is the long term orientation. Vietnam scores relatively high (57) making it a pragmatic culture whereas the US scores a low 26 making it a normative culture (Hofstede Insights & USA, 2017). In short this means that Vietnam is more future oriented and this can become very evident in the business world. Americans tend to measure their performance on a short-term basis, making e.g. quarterly reviews the norm. Vietnam on the other hand focuses on the future and looks past the quarterly results.

Lastly, there comes the newest dimension, indulgence. Indulgence is described to be "the extent to which people try to control their desires and impulses". Low score (also called as "restrained") indicates that the culture has a tendency to cynicism and pessimism. Restrained cultures feel that indulging themselves is not necessary. High score (also called as "Indulgence") indicates that the culture has a somewhat weak control over their urges and desires (Hofstede, 2011).

Taking into account that the US has one of the highest drug addiction percentages in the world it isn't surprising that it scores high (68) in this dimension. Despite the USA's continuous "war against drugs" it is in top drug using countries in various different segments, like: cannabis, cocaine, ecstasy, amphetamine, prescription opioids, prescription stimulants and opioids (Eleftheriou-Smith, 2015). The whole "work hard and play hard" attitude is very prominent in the US and can cause problems e.g. in the Asian countries. Quick look at the Asian countries (India, China, Japan, Thailand & South Korea) shows that the indulgence percentage is under 50, making the countries restrained. Vietnam is no exception.

#### Entry Modes

There are two types of entry mode: non-equity modes and equity modes. Another key decision is the scale of entry: small or large scale. Equity modes include joint ventures and wholly owned subsidiaries. Large scale entries are cost-

ly, and when a large scale entry has been done, the company is usually aiming to stay in that country for good. As large investments are required, there is limited strategic flexibility and in case of failure, the losses are huge (Peng, 2006). Non-equity modes include exports and contractual agreements, and these small scale entries are useful for testing a new market. They are less costly, and can enhance organizational learning. When doing a small scale entry, a company can face difficulties in gaining market share and lack strategic commitment in the host country.

#### Glocal approach

According to Jiang and Wei (2005), North American multinational corporations (MNC's) have a tendency to use a glocal approach. By looking into Ben & Jerry's advertising in other countries we have also identified that they also use a glocal advertising strategy, as their advertisements are different in different countries, but still follow a similar borderline. To demonstrate, we observed Ben & Jerry's 'Values Led Sourcing' – videos (Ben & Jerry's, 2017) targeted for the US audience and Thai audience. A lot of similar footage was used, but music was very different and in the video targeted for the US audience, more dairy farmer life was shown, whereas in the video targeted for Thai audience, more footage from the chocolate farms were shown. In the Thai video there was more customers involved in the video, and in the US video there was more commentary from the company managers. This explains the glocal strategy rather well, as the main content is the same, but there are differences on how the video is put together and what is being shown.

#### Location specific advantages

The location specific advantages that will be persuaded when entering a new market depends on the strategic goals of a company. The goals can be divided into four categories; natural resource seeking, market seeking, efficiency seeking, and innovation seeking goals (later referred also as approach). Ben & Jerry's can in this case be labeled as a company that has a market seeking approach and an efficiency seeking approach. Market seeking approach refers to an approach where a company is entering a new market that offer a high price and large demand for the product. This research is to find out whether these advantages would be fulfilled in Vietnam so that it would be reasonable for Ben & Jerry's to enter (Peng, 2006). The other location specific advantage that might concern Ben & Jerry's is efficiency seeking approach. This location specific advantage is most commonly adopted when the goal is combine economies of scale and low-cost factors. Emerging markets are generally able to decrease the total costs of foreign entrants.

The Vietnamese ice-cream market is developing and growing with an 12.8 percent annual growth (Sexton, 2015). As Vietnam becomes more and more open, more international competitors get into the market. The predicted decline in imported taxes makes it easier for international companies to enter the market and challenge the local brands (Euro-monitor, 2016). The market hotspots are the cities Saigon, Hanoi, Vung Tau, Can Tho and Nha Trang.

Today, Vietnam's younger generation has become more willing to pay for more expensive ice-

cream due to the better living standards and the general higher income. This causes a “premiumisation” of the market (Euromonitor, 2016). Also, Vietnamese are starting to prefer foreign brands or local brands who imitate the foreign competitors (Sexton, 2015). Therefore, many international brands like Wall s, Basking Robbins, Snowee, Snwensens, Häagen-Dazs, Monte Rose and Dairy Queen already entered the market.

Wall s, which is in the leading market position of Vietnam’s neighbor countries Indonesia, the Philippines and Thailand, advertise their products with their expertise in both globally and regionally markets. In addition to that, Wall s try to show their sustainability of their business in their advertisement (Tu, 2011). Wall s sell many different ice-cream flavours.

Baskin Robbins sells in addition to 31 flavors in a box or waffle also cakes and drinks and is also very popular in the urban areas of Vietnam. A small box of ice-cream is 22.000 VND for students, which is less than one Euro (Baskin-Robbins).

Häagen-Dazs sells their 100ml ice-cream box for 68.000 VND and has 13 different flavors. Moreover, Häagen Dazs also sells shakes (Häagen-Dazs).

#### **Thailand in comparison to Vietnam**

As Ben & Jerry’s opened in Thailand in 2016 and because we thought that the Vietnamese market and the Thailand one could be similar to each other, we decided to compare the two markets to analyse how the brand got into Thailand and in what extent it has been efficient.

The Thailand market of ice cream is expected to grow annually by 6,1%, meaning half of the Vietnamese one (Ken Research, 2016). The consumer basis is already more established with an average consumption per capita standing at 0,5kg in 2017 so the dynamism is lower. As we saw previously that the Vietnamese market is turning its attention toward foreign brands, Thailand already did. Unilever, mainly with Magnum, (United States) and Nestle (Switzerland) are the major leading players in the market (GlobalData, 2017), competing with local brands as Chomthana Co. Ltd or F & N Foods Pte Ltd.

When looking at the way of communicating about their brand in that new market, we can see that Ben & Jerry’s is using the same style of advertisement as everywhere else (drawing, funny, cows) and the same colours, same layout, same font but also integrate some traditional local attributes (Scooter). They also highlight the fair trade logo and the variety of flavours which seem to be some very important attributes for the local market.

#### **Conclusion**

In order to give solutions to the cultural problems facing American companies in the Vietnamese market we need to identify the most critical cultural elements between the US and Vietnam. Hofstede’s cultural dimension theory was used when analyzing these two countries and with the help of the analysis we will identify the issues facing them. 4 problems can be identified.

1. The concept of face.
2. The American masculinity.
3. Trust.
4. Hierarchical structure.

Secondly, there are significant problems associated with the American masculinity. This culture gap can be seen e.g. in advertising. In the US it is more than common to taunt the competitors with different marketing efforts. Also highlighting your own superiority is common, but in Vietnam this is extremely rare. Mocking your competitors doesn’t come to question, because this is seen as loss of face (Kohl, 2007). The most important cultural element and the one that can make or break a deal is trust. This is hugely connected to the individualism dimension. Like mentioned previously, Vietnam is a collectivistic culture and the US is individualistic. This means that loyalty is everything for the Vietnamese people and strong relationships are formed because of this (even in the business world). The US represent the other side of the coin. It is said that Americans get along with almost everyone, but friendships are rarely formed.

Nevertheless, trust is by far the most important thing when trying to penetrate the Vietnamese market. Before expanding, the American companies should form relationships with their Vietnamese counterparts. It is essential that proper networks and relationships are established before starting operations. This fights against the “I want results and I want them now” attitude of the Americans. Katrine Sypli Kohl (2007) used a great analogy in her paper “Americans doing business in Vietnam: Communication differences” about the phenomenon: “The Vietnamese have a saying that goes: “If you want good tasting food, then boil it well.” The same can be said of doing business in Vietnam. The saying highlights the difference between a Vietnamese “slow-cook” business culture and an American “fast-food” business culture where time is money, and meetings are for getting down to business”.

There has actually been a shift in culture in Vietnam and it is largely because of the country’s age structure.

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