

2

PART

The Cultural Context of Global Management

PART OUTLINE

Chapter 3

Understanding the Role of Culture

Chapter 4

Communicating Across Cultures

Chapter 5

Cross-Cultural Negotiation
and Decision Making



Understanding the Role of Culture



OUTLINE

Opening Profile: Adjusting Business to Saudi Arabian Culture

Culture and Its Effects on Organizations

- Societal Culture
- Organizational Culture
- Culture's Effects on Management
- Influences on National Culture

Cultural Value Dimensions

- Project GLOBE Cultural Dimensions

Under the Lens: Religion and the Workplace

- Cultural Clusters
- Hofstede's Value Dimensions
- Trompenaars's Value Dimensions
- Consequence or Cause?
- Critical Operational Value Differences

The Internet and Culture

Developing Cultural Profiles

Management in Action: India's IT Industry Brings Cultural Changes

Comparative Management in Focus: Profiles in Culture—Japan, Germany, Latin America

Culture and Management Styles Around the World

- Saudi Arabia
- Chinese Family Small Businesses

Under the Lens: Doing Business in Brazil—Language, Customs, Culture, and Etiquette

Conclusion

Summary of Key Points

Discussion Questions

Application Exercises

Experiential Exercises

Internet Resources

Case Study: Australia and New Zealand: Doing Business with Indonesia

OBJECTIVES

1. To understand how culture affects all aspects of international management.
2. To be able to distinguish the major dimensions which define cultural differences among societies or groups.
3. To emphasize the need for international managers to have cultural intelligence in order to interact successfully in host countries.
4. To recognize the critical value differences that frequently affect job behaviors.
5. To be able to develop a working "cultural profile" typical of many people within a certain society as an aid to anticipating attitudes toward work, negotiations, etc.
6. To understand the interaction between culture and the use of the Internet.

OPENING PROFILE: ADJUSTING BUSINESS TO SAUDI ARABIAN CULTURE

For most outsiders, Saudi Arabia is a land of contrasts and paradoxes. It has supermodern cities, but its strict Islamic religious convictions and ancient social customs, on which its laws and customs depend, often clash with modern economic and technical realities. Saudi Arabians sometimes employ latitude in legal formation and enforcement to ease these clashes and sometimes accommodate different behaviors from foreigners. Nevertheless, many foreigners misunderstand Saudi laws and customs or find them contrary to their own value systems. Foreign companies have had mixed success in Saudi Arabia, due in large part to how well they understood and adapted imaginatively to Saudi customs.

Companies from countries with strict separation between state and religion or where few people actively engage in religion find Saudi Arabia's pervasiveness of religion daunting. Religious decrees have sometimes made companies rescind activities. For example, an importer halted sales of the children's game Pokémon because the game might encourage the un-Islamic practice of gambling, and a franchisor was forced to remove the face under the crown in Starbucks' logo because Saudi authorities felt the public display of a woman's face was religiously immoral. However, most companies know the requirements in advance. For instance, Coty Beauty omits models' faces on point-of-purchase displays that it depicts in other countries. Companies know that they must remove the heads and hands from mannequins and must not display them scantily clad. Companies, such as McDonald's, dim their lights, close their doors, and stop attending to customers during the five times per day that men are called to pray. Companies also adjust voluntarily to gain the good will of customers—for example, by converting revenue-generating space to prayer areas. (Saudi Arabian Airlines does this in the rear of its planes, and the U.K.'s Harvey Nichols does this in its department store.) During the holy period of Ramadan, people are less active during the day because they fast, so many stores shift some operating hours to the evenings when people prefer to shop.

In 2000, Saudi Arabia ratified an international agreement designed to eliminate the discrimination of women; however, its prescribed behaviors for women appear paradoxical to outsiders. On the one hand, women now outnumber men in Saudi Arabian universities and own about 20 percent of all Saudi businesses. (There are separate male and female universities, and female-owned businesses can sell only to women.) Women also comprise a large portion of Saudi teachers and doctors. On the other hand, women account for only about 7 percent of the workforce. They cannot have private law or architectural firms, nor can they be engineers. They are not permitted to drive, because this may lead to evil behavior. They must wear *abayas* (robes) and cover their hair completely when in public. They cannot work alongside men except in the medical profession, and they cannot sell directly to male customers. If they are employed where men work, they must have separate work entrances and be separated from males by partitions. They must be accompanied by an adult male relative when dealing with male clerks.

The female prescriptions have implications for business operations. For example, the Saudi American Bank established branches for and staffed only by women. Pizza Hut installed two dining rooms—one for single men and one for families. (Women do not eat there without their families.) Both Harvey Nichols and Saks Fifth Avenue have created women-only floors in their department stores. On lower levels, there is mixed shopping, all male salespeople (even for products like cosmetics and bras), and no changing rooms or places to try cosmetics. On upper floors, women can check their *abayas* and shop in jeans, spandex, or whatever. The stores have also created drivers' lounges for their chauffeurs. A downside is that male store managers can visit upper floors only when the stores are closed, which limits their observations of situations that might improve service and performance. Similarly, market research companies cannot rely on discussions with family-focused groups to determine marketing needs. Because men do much more of the household purchasing, companies target them more in their marketing than in other countries.

Why do high-end department stores and famous designers operate in Saudi Arabia, where women cover themselves in *abayas* and men typically wear *thobes* (long robes)? Simply, the many very rich people in Saudi Arabia are said to keep Paris couture alive. Even though Saudi Arabia prohibits fashion magazines and movies, this clientele knows what is in fashion. (The government also prohibits satellite dishes, but some estimates say that two-thirds of Saudi homes have them.) Women buy items from designers' collections, which they wear abroad or in Saudi Arabia only in front of their husbands and other women. Underneath their *abayas*, they often wear very expensive jewelry, makeup, and clothing. Wealthy men also want the latest high-end fashions when traveling abroad.

Another paradox is that about 60 percent of the Saudi private workforce is foreign, even though the unemployment rate is about 30 percent. Changing economic conditions are at least partially responsible

(Continued)

for this situation. In the early 1980s, Saudi oil revenues caused per capita income to jump to about \$28,000, but this plummeted to below \$7,000 by the early 2000s. When incomes were high, Saudis brought in foreigners to do most of the work. At the same time, the government liberally supported university training, including study abroad. Saudis developed a mentality of expecting foreigners to do all the work—or at least some of the work—for them. The New Zealand head of National Biscuits & Confectionery said that Saudis now want only to be supervisors and complain if they have to work at the same level as people from Nepal, Bangladesh, and India. Although the government has taken steps to replace foreign workers with Saudis, prevailing work attitudes impede this transition. For example, the acceptance by a Saudi of a bellboy job at the Hyatt Regency hotel in Jidda was so unusual that Saudi newspapers put his picture on their front pages.

Saudi Arabian legal sanctions seem harsh to many outsiders. Religious patrols may hit women if they show any hair in public. The government carries out beheadings and hand-severances in public and expects passers-by to observe the punishments, some of which are for crimes that would not be offenses in other countries. For example, the government publicly beheaded three men in early 2002 for being homosexuals. However, there are inconsistencies. For example, religious patrols are more relaxed about women's dress codes in some Red Sea resorts, and they are more lenient toward the visiting female executives of MNEs than toward Saudi women. Whereas they don't allow Saudi women to be flight attendants on Saudi Arabian Airlines because they would have to work alongside men, they permit women from other Arab countries to do so. Further, in foreign investment compounds where almost everyone is a foreigner, these religious patrols make exceptions to most of the strict religious prescriptions.

There are interesting situations concerning the charging of interest and the purchase of accident insurance, both of which are disallowed under strict Islamic interpretations of the Koran. In the case of interest, the Saudi government gives interest-free loans for mortgages. This worked well when Saudi Arabia was awash with oil money, but borrowers must now wait about 10 years for a loan. In the case of accident insurance (by strict Islamic doctrine, there are no accidents, only preordained acts of God), the government eliminated prohibitions because businesses needed the insurance.

Personal interactions between cultures are tricky, and those between Saudis and non-Saudis are no exception. For example, Parris-Rogers International (PRI), a British publishing house, sent two salesmen to Saudi Arabia and paid them on a commission basis. They expected that by moving aggressively, the two men could make the same number of calls as they could in the United Kingdom. They were used to working eight-hour days, to having the undivided attention of potential clients, and to restricting conversation to the business transaction. To them, time was money. However, they found that appointments seldom began at the scheduled time and most often took place at cafés where the Saudis would engage in what the salesmen considered idle chitchat. Whether in a café or in the office, drinking coffee or tea and talking to acquaintances seemed to take precedence over business matters. The salesmen began showing so much irritation at "irrelevant" conversations, delays, and interruptions from friends that they caused irrevocable damage to the company's objectives. The Saudi counterparts considered them rude and impatient.

Whereas businesspersons from many countries invite counterparts to social gatherings at their homes to honor them and use personal relationships to cement business arrangements, Saudis view the home as private and even consider questions about their families as rude and an invasion of privacy. In contrast, Saudi businessmen seldom regard business discussions as private; they thus welcome friends to sit in. The opposite is true in many countries.

In spite of contrasts and paradoxes, foreign companies find ways to be highly successful in Saudi Arabia. In some cases, legal barriers to some products, such as alcoholic beverages and pork products have created boons for other products, such as soft drinks and turkey ham. In addition, some companies have developed specific practices in response to Saudi conditions and have later benefited from them in their home countries. For example, companies such as Fuji and Kodak created technology for while-you-wait photo development for Saudi Arabia because customers wanted to retrieve photos without anyone else seeing them. They transferred this technology to the United States several years later.

Source: John D. Daniels, Lee H. Radebaugh, and Daniel P. Sullivan, *International Business: Environments and Operations*, 10th ed. © 2004. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

This chapter's opening profile describes how an understanding of the local culture and business environment can give managers an advantage in competitive industries. Foreign companies—no matter what their size—can ignore those aspects to their peril. Such differences in culture and the way of life in other countries necessitate that managers develop international expertise to manage on

a contingency basis according to the host-country environment. Powerful, interdependent factors in that environment—political, economic, legal, technological, and cultural—influence management strategy, functions, and processes.

Cultural Intelligence: an outsider's seemingly natural ability to interpret someone's unfamiliar and ambiguous gestures in just the way that person's compatriots and colleagues would.

HARVARD BUSINESS REVIEW.¹

Managing people and processes in other countries requires a working knowledge of the cultural variables affecting management decisions and how to use that knowledge to adapt behaviors and expectations accordingly. This skill has become known as **cultural intelligence**, or **cultural quotient (CQ)**—a measure of how well a person can adapt and manage effectively in culturally diverse settings.² There is further discussion of how to adapt to different cultures in Chapter 4. First, we need to gain an understanding of what “culture” is, what are the variables that will enable us to adapt, and how those variables affect the manager’s job. Clearly, it is important for anyone wishing to be successful when working with people in other countries to be able to plan ahead as to how to relate to and adapt to people from different cultures.

Managers have often seriously underestimated the significance of cultural factors. According to numerous accounts, many blunders made in international operations can be attributed to a lack of cultural sensitivity.³ Examples abound. Scott Russell, senior vice president for human resources at Cendant Mobility in Danbury, Connecticut, recounts the following:

*An American company in Japan charged its Japanese HR manager with reducing the workforce. The Japanese manager studied the issue but couldn't find a solution within cultural Japanese parameters; so when he came back to the Americans, he reduced the workforce by resigning—which was not what they wanted.*⁴

Cultural sensitivity, or **cultural empathy**, is the awareness of and an honest caring about another individual’s culture. Such sensitivity requires the ability to understand the perspective of those living in other (and very different) societies and the willingness to put oneself in another’s shoes.

International managers can benefit greatly from understanding the nature, dimensions, and variables of a specific culture and how these affect work and organizational processes. This cultural awareness enables them to develop appropriate policies and determine how to plan, organize, lead, and control in a specific international setting. Such a process of adaptation to the environment is necessary to successfully implement strategy. It also leads to effective interaction in a workforce of increasing cultural diversity, in both the United States and other countries.

Company reports and management studies make it clear that a lack of cultural sensitivity costs businesses money and opportunities. One study of U.S. multinational corporations found that poor intercultural communication skills still constitute a major management problem. Managers’ knowledge of other cultures lags far behind their understanding of other organizational processes.⁵ In a synthesis of the research on cross-cultural training, Black and Mendenhall found that up to 40 percent of expatriate managers leave their assignments early because of poor performance or poor adjustment to the local environment. About half of those who remain are considered only marginally effective. Furthermore, they found that cross-cultural differences are the cause of failed negotiations and interactions, resulting in losses to U.S. firms of over \$2 billion a year for failed expatriate assignments alone.⁶

Other evidence indicates, however, that cross-cultural training is effective in developing skills and enhancing adjustment and performance. In spite of such evidence, U.S. firms do little to take advantage of such important research and to incorporate it into their ongoing training programs, whose purpose is ostensibly to prepare managers before sending them overseas. Too often, the importance of such training in developing cultural sensitivity is realized much too late.

This chapter provides a conceptual framework with which companies and managers can assess relevant cultural variables and develop cultural profiles of various countries. This framework is then used to consider the probable effects of cultural differences on an organization and their implications for management. To do this, the powerful environmental factor of cultural context is examined. The nature of culture and its variables and dimensions are first explored, and then specific differences in cultural values and their implications for the on-the-job behavior of individuals and groups are considered. Cultural variables, in general, are discussed in this chapter. The impact of culture on specific management functions and processes is discussed in later chapters as appropriate.

CULTURE AND ITS EFFECTS ON ORGANIZATIONS

We know that cultural values can predict employee outcomes with similar or even more strength than more traditional factors such as demographics, personality traits, and cognitive ability.

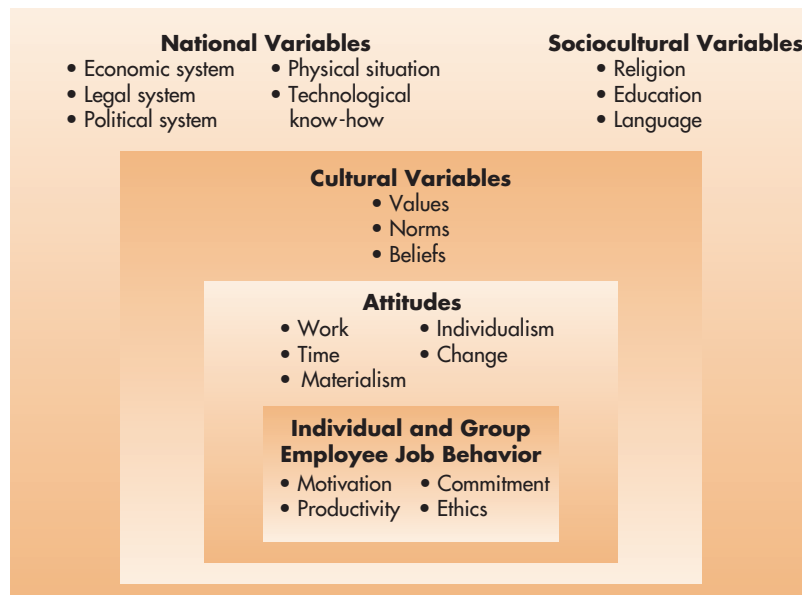
V. TARAS ET AL.,
ORGANIZATIONAL DYNAMICS, APRIL 6, 2011.⁷

Societal Culture

As generally understood, the **culture** of a society comprises the shared values, understandings, assumptions, and goals that are learned from earlier generations, imposed by present members of a society, and passed on to succeeding generations. This shared outlook results, in large part, in common attitudes, codes of conduct, and expectations that subconsciously guide and control certain norms of behavior.⁸ One is born into, not with, a given culture, and gradually internalizes its subtle effects through the socialization process. Culture results in a basis for living grounded in shared communication, standards, codes of conduct, and expectations.⁹ Over time, cultures evolve as societies adapt—by choice or otherwise—to transitions in their external and internal environments and relationships. In 2011, for example, people in Egypt brought about political and cultural changes as a result of economic conditions and oppression and being increasingly exposed through social media to what they perceived to be a better way to live within systems in democratic societies. Globalization, in all its forms of personal and business contacts and information crossing borders, brings about changes that result in **cultural diffusion**. When immigrants adopt some aspects of the local culture while keeping aspects of their culture of origin, this process is called **creolization**. Some countries, such as France, fiercely protect their culture against outside influences and insist that immigrants assimilate into their society and respect their values.¹⁰

A manager assigned to a foreign subsidiary must expect to find large and small differences in the behavior of individuals and groups within that organization. As depicted in Exhibit 3-1, these differences result from the societal, or sociocultural, variables of the culture, such as religion and language, as well as from prevailing national variables, such as economic, legal, and political factors. National and sociocultural variables, thus, provide the context for the development and perpetuation of cultural variables. These cultural variables, in turn, determine basic attitudes toward work, time, materialism, individualism, and change. Such attitudes affect an

EXHIBIT 3-1 Environmental Variables Affecting Management Functions



individual's motivation and expectations regarding work and group relations, and they ultimately affect the outcomes that can be expected from that individual.

Organizational Culture

Compared to societal culture, which is often widely held within a region or nation, **organizational culture** varies a great deal from one organization, company, institution, or group to another. Organizational culture represents those expectations, norms, and goals held in common by members of that group. For a business example, consider the oft-quoted comparison between IBM, considered traditionally to be very formal, hierarchical, and rules-bound, with its employees usually in suits, and Apple Computer, whose organizational culture is very organic, or “loose” and informal, with its employees typically wearing casual clothes and interacting informally.

Research shows that societal culture tends to be stronger than organizational culture, so that employees working with or for a “foreign” company may not easily fall into the new organizational culture.¹¹ Clearly there is a relationship between organizational culture and societal (national) culture, both of which can cause disputes in the workplace at all levels, including the management of cross-border alliances. Such was the case with the DaimlerChrysler AG alliance—largely contributing to the downfall of the alliance in 2007. As observed by Syed Anwar:

*In the auto industry, Daimler-Benz was viewed as a conservative and rigid company regarding its corporate bureaucracy, product development, and quality standards—a corporate culture reflective of Germany's national culture. On the other hand, Chrysler's corporate culture was typical American—informal, outward oriented, and somewhat less rigid in its operations and more risk-taking. Daimler-Benz lacked exposure to the American way of management and business practices. The cultural mismatch eventually created problems in the areas of future planning, supervisory board, research and development, expatriate management, executive salaries, and labor relations.*¹²

Culture's Effects on Management

Clearly, societal culture affects organizational culture, and there are often interaction effects, as illustrated by the comments by Kenichi Watanabe, CEO of Japan's Nomura Group, when asked how he would characterize his company's corporate culture:

*The positives: trust, loyalty, teamwork, long-term commitment. The negatives: resistance to change and an overly domestic focus. That's why I tell my people to embrace change and be world class.*¹³

FINANCIAL TIMESUK,
SEPTEMBER 23, 2011.

Which organizational processes—technical and otherwise—are most affected by cultural differences, and how they are affected, is the subject of ongoing cross-cultural management research and debate.¹⁴ Oded Shenkar suggests that we should. . . .

*consider cultural differences as having the potential for both synergy and disruption, [and that] this point cannot be overstated as it lies at the intersection of strategic logic and operational challenges that underline the FDI, expatriate adjustment, auditing and other international business issues.*¹⁵

ODED SHENKAR, JOURNAL OF INTERNATIONAL BUSINESS STUDIES,
JANUARY 2012.

Further, Shenkar poses that, rather than focusing on how *different* two cultures are—that is, “cultural distance” (CD)—in reality, it is the *interaction* between them that is the working issue in international management; this is because cultural distance has little effect on management until the two cultures come into contact with each other. He proposes that we focus on the concept of “friction” instead of “distance” by considering how the relevant people and organizational processes would interact and what the effects would be on the relative success of the international business venture.¹⁶

Some argue that the effects of culture are more evident at the individual level of personal behavior than at the organizational level, as a result of convergence. **Convergence** describes the phenomenon of the shifting of individual management styles to become more similar to one another. The convergence argument is based on the belief that the demands of industrialization, worldwide coordination, and competition tend to factor out differences in organizational-level processes, such as choice of technology and structure. In a study of Japanese and Korean firms, Lee, Roehl, and Choe found that globalization and firm size were sources of convergence of management styles.¹⁷ At the individual level, the research we will discuss in this chapter and throughout the book clearly shows that while an assertive, take-charge management style typically works best in the West, people across Asia typically respond better to a more subtle leadership style where the manager works behind the scenes to accomplish goals; then again, Latino cultures tend to prefer a paternal management style and look up to leaders who command respect by virtue of their position in society.¹⁸ These factors are discussed in more detail later in this chapter.

The effects of culture on specific management functions are particularly noticeable when we attempt to impose our own values and systems on another society. Exhibit 3-2 gives some examples of the values typical of U.S. culture, compares some common perspectives held by people in other countries, and shows which management functions might be affected, clearly implying

EXHIBIT 3-2 U.S. Values and Possible Alternatives

Aspects of U.S. Culture*	Alternative Aspect	Examples of Management Functions Affected
The individual can influence the future (where there is a will there is a way).	Life follows a preordained course, and human action is determined by the will of God.	Planning and scheduling
The individual can change and improve the environment.	People are intended to adjust to the physical environment rather than to alter it.	Organizational environment, morale, and productivity
An individual should be realistic in his or her aspirations.	Ideals are to be pursued regardless of what is “reasonable.”	Goal setting and career development
We must work hard to accomplish our objectives (Puritan ethic).	Hard work is not the only prerequisite for success; wisdom, luck, and time are also required.	Motivation and reward system
Commitments should be honored (people will do what they say they will do).	A commitment may be superseded by a conflicting request, or an agreement may only signify intention and have little or no relationship to the capacity for performance.	Negotiating and bargaining
One should effectively use one’s time (time is money that can be saved or wasted).	Schedules are important, but only in relation to other priorities.	Long- and short-range planning
A primary obligation of an employee is to the organization.	The individual employee has a primary obligation to his or her family and friends.	Loyalty, commitment, and motivation
The employer or employee can terminate the relationship.	Employment is for a lifetime.	Motivation and commitment to the company
The best-qualified people should be recruited and selected, given the positions available.	Family, friendship, and other considerations should determine employment practices.	Employment, promotions, and reward

*Aspect here refers to a belief, value, attitude, or assumption that is a part of a culture in that it is shared by a large number of people in that culture.

Source: Excerpted from *Managing Cultural Differences* by Philip R. Harris and Robert T. Moran, 5th ed. Copyright © 2000 by Gulf Publishing Company, Houston, TX. Used with permission. All rights reserved.

the need for the differential management of organizational processes. For example, American managers plan activities, schedule them, and judge their timely completion based on the belief that people influence and control the future, rather than assuming that events will occur only at the will of Allah, as managers in an Islamic nation might believe.

Many people in the world understand and relate to others only in terms of their own culture. This unconscious reference point of one's own cultural values is called a **self-reference criterion**. The result of such an attitude is illustrated in the following story:

Once upon a time there was a great flood, and involved in this flood were two creatures, a monkey and a fish. The monkey, being agile and experienced, was lucky enough to scramble up a tree and escape the raging waters. As he looked down from his safe perch, he saw the poor fish struggling against the swift current. With the very best of intentions, he reached down and lifted the fish from the water. The result was inevitable.¹⁹

The monkey assumed that its frame of reference applied to the fish and acted accordingly. Thus, international managers from all countries must understand and adjust to unfamiliar social and commercial practices—especially the practices of that mysterious and unique nation, the United States. Japanese workers at a U.S. manufacturing plant learned to put courtesy aside and interrupt conversations with Americans when there were problems. Europeans, however, are often confused by Americans' apparent informality, which then backfires when the Europeans do not get work done as the Americans expect.

As a first step toward cultural sensitivity, international managers should understand their own cultures. This awareness helps to guard against adopting either a parochial or an ethnocentric attitude. **Parochialism** occurs, for example, when a Frenchman expects those from or in another country to automatically fall into patterns of behavior common in France. **Ethnocentrism** describes the attitude of those who operate from the assumption that their ways of doing things are best—no matter where or under what conditions they are applied. Companies both large and small have demonstrated this lack of cultural sensitivity in countless subtle (and not so subtle) ways, with varying disastrous effects.

Procter & Gamble (P&G) was one such company. In an early Japanese television commercial for Camay soap, a Japanese woman is bathing when her husband walks into the bathroom. She starts telling him about her new beauty soap. Her husband, stroking her shoulder, hints that he has more on his mind than suds. The commercial, which had been popular in Europe, was a disaster in Japan. For the man to intrude on his wife “was considered bad manners,” says Edwin L. Artzt, P&G's vice chairman and international chief. “And the Japanese didn't think it was very funny.” P&G has learned from its mistakes and now generates about half of its revenue from foreign sales.²⁰

After studying his or her own culture, the manager's next step toward establishing effective cross-cultural relations is to develop cultural sensitivity. Managers not only must be aware of cultural variables and their effects on behavior in the workplace, but also must appreciate cultural diversity and understand how to build constructive working relationships anywhere in the world. The following sections explore cultural variables and dimensions. Later chapters suggest specific ways in which managers can address these variables and dimensions to help build constructive relationships.

Given the great variety of cultures and subcultures around the world, how can a student of cross-cultural management, or a manager wishing to be culturally savvy, develop an understanding of the specific nature of a certain people? With such an understanding, how can a manager anticipate the probable effects of an unfamiliar culture within an organizational setting, and thereby manage human resources productively and control outcomes?

One approach is to develop a cultural profile for each country or region with which the company does or is considering doing business. Developing a cultural profile requires some familiarity with the cultural variables universal to most cultures. From these universal variables, managers can identify the specific differences found in each country or people—and hence anticipate their implications for the workplace.

Managers should never assume that they can successfully transplant American, or Japanese, or any other country's styles, practices, expectations, and processes. Instead, they should practice a basic tenet of good management—**contingency management**. Contingency management

requires managers to adapt to the local environment and people and to manage accordingly. That adaptation can be complex because the manager may confront differences not only in culture, but also in business practices. The need for managers to adapt to local conditions, particularly within a joint venture, was illustrated by Baruch Shimoni in his research of Thai and Israeli managers of two MNCs headquartered in Sweden and the United States. He found that the firms' local management cultures ran into each other and produced new hybrid forms of management cultures.²¹ Shimoni found that the managers developed a hybrid management style that was between their own and the corporation's management practices. Whereas the Thai culture focuses on harmonious personal relationships and avoidance of confrontation, in the Israeli offices practices focused on non-formal relationships, performance, work processes, and supervision.²²

Over time, the Thai managers (Chindakohrn and Hansa) and the Israeli managers (Tamir and Shuki) came to adapt their feelings and management style to create a hybrid style suited to the situation. As Hansa said "I try to compromise. Working together, get your opinion, what you want, what you think, then I make decisions . . . you [I] have to be very quick and execute immediately. . . . I try to change myself, to be adopting to this [the MNCs'] kind of character, culture."²³

Influences on National Culture

Managers should recognize, of course, that generalizations in cultural profiles will produce only an approximation, or stereotype, of national character. Many countries comprise diverse **subcultures** whose constituents conform only in varying degrees to the national character. In Canada, distinct subcultures include Anglophones and Francophones (English-speaking and French-speaking people) and indigenous Canadians.

Above all, good managers treat people as individuals, and they consciously avoid any form of **stereotyping**. However, a cultural profile is a good starting point to help managers develop some tentative expectations—some cultural context—as a backdrop to managing in a specific international setting. It is useful, then, to look at what cultural variables have been studied and what implications can be drawn from the results.

Before we can understand the culture of a society, we need to recognize that there are subsystems in a society that are a function of where people live; these subsystems influence, and are influenced by, people's cultural values and dimensions and so affect their behaviors, both on and off the job. Harris and Moran identified eight categories that form the subsystems in any society.²⁴ This systems approach to understanding cultural and national variables—and their effects on work behavior—is consistent with the model shown in Exhibit 3-1 that shows those categories as a broad set of influences on societal culture. Those categories are: the *kinship* system of relationships among families; the *education system*; the *economic* and *political systems*; the *associations* that make up formal and informal groups; the *health system*; attitudes toward *recreation* and leisure; and—perhaps most importantly—*religion* (further discussed in the accompanying Under the Lens feature).

CULTURAL VALUE DIMENSIONS

Cultural variables result from unique sets of shared values among different groups of people. Most of the variations between cultures stem from underlying value systems, which cause people from different cultures to behave differently under similar circumstances. **Values** are a society's ideas about what is good or bad, right or wrong—such as the widespread belief that stealing is immoral and unfair. Values determine how individuals will probably respond in any given circumstance. As a powerful component of a society's culture, values are communicated through the eight subsystems previously described and are passed from generation to generation. Interaction and pressure among these subsystems (or more recently, from foreign cultures) may provide the impetus for slow change. The dissolution of the Soviet Union and the formation of the Commonwealth of Independent States is an example of extreme political change resulting from internal economic pressures and external encouragement to change.

Project GLOBE Cultural Dimensions

Recent research results on cultural dimensions have been made available by the GLOBE (Global Leadership and Organizational Behavior Effectiveness) Project team. The team comprises 170 researchers who have collected data over seven years on cultural values and practices and



UNDER THE LENS

Religion and the Workplace

Since the basis of a religion is the shared beliefs, values, and institutions, then it is closely aligned with the accepted underpinnings of societal culture; thus religion and culture are inextricably linked. As such, religion underlies both moral and economic norms and influences everyday business transactions and on-the-job behaviors. The connections between culture and work behavior for employees and managers in various countries are discussed throughout this book. Here we note specifically that managers in the home country or abroad must recognize both the legal religious rights in the workplace and also the value of such diversity in the workplace. Days off for religious holidays, accommodation for prayers, dietary requirements, etc., are the more obvious considerations. In addition, foreign managers abroad must be particularly sensitive to the local religious context and the expectations and workplace norms of employees and others, because those managers will be immersed within that context in dealing with employees, clients, suppliers, and others. Failure to do so will minimize or negate the goals of the firm in that location.

Most readers of this book are familiar with the major religions of the world, and an in-depth discussion of religions is beyond the focus here. (The four religions with the largest number of followers are: Christianity, with 33.1% of world population; Islam, with 20.4%; Hinduism, with 13.5%; and Buddhism, with 6%. These figures are approximate, since of course they are changing every day.)²⁵ What we do focus on as we progress through the chapters are the ways in which religion intersects with culture and affects business interactions, expectations, operations, motivations, and leadership, including attitudes toward work, time, ethics, and decision-making.

Hinduism is over 5,000 years old and typically involves worship of many gods. Prayer is usually a private matter in one's own home. The traditional caste system, now illegal, still tends to impact the labor markets. As another example of the effects of religion in the workplace, a Western manager operating in some areas or enterprises in India might note the employees' lack of sensitivity to time. As noted by Agam Nag, that attitude is attributed to the religious belief and the philosophical background. "It has been variously traced to the concept of immortality of soul and reincarnation in Hinduism that gives a sense of infiniteness to life and hence time."²⁶ Nag explains that the lack of sensitivity to time cuts across all religions in India, including the endless variations of Hinduism as well as many other religions such as Islam, Christianity and Sikhism.²⁷ Clearly, religious belief is only one dimension of Indian culture to explain the way they view time. However, we can also observe the influence and competitiveness of foreign companies operating in the cities in India, such as the many companies in the information technology industry that are operating there. Their young, educated workforce has adapted to the competitiveness and expectations in those companies, resulting in a meld of their traditional value system and the practical approach typical of western companies. Foreign firms in India and elsewhere are reaping the benefits of this rapidly growing and highly effective workforce.²⁸

Christianity originated in the Middle East and is now over 2,000 years old. Christians believe in one God. Christianity is based on the life and death of Jesus Christ, the son of God, and preaches love, the value of human life, self-discipline, and ethics. There are four principal denominations: Orthodox, Pentecostal, Protestant, and Roman Catholic. Roman Catholicism predominates in the Americas and Western Europe. Orthodox Christians mostly live in Eastern Europe. Foreign corporations in Christian locales can assume that most employees and other contacts behave largely according to the Ten Commandments. In Europe, employees typically have a number of days off for religious holidays. In the United States, religious holidays are typically limited to Christmas and Easter; however, there should be respect for people not wanting to work on Sundays. One wonders, also, if the Protestant Ethic of hard work, saving, and efficiency, common in the West and the basis of capitalism, is spreading as a result of global competition and the influence of foreign companies.

Islam was discussed in the opening profile. Muslims believe that there is only one god, Allah, and that the prophet Muhammad was his final messenger. Their lives are based on the Qur'an and Muslim law (Sharia). Businesses can be affected by the Sharia law against receiving or paying interest. As a further example of how religious beliefs impact the workplace, respect for Islam requires that companies operating in Muslim countries make provisions—in time and space allocation—for employees to pray five times a day. This is true, also, in countries and cities such as in the United Kingdom where there is a

(Continued)



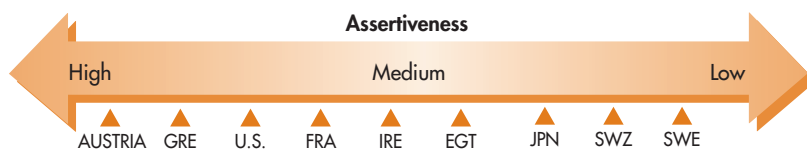
large Muslim population. In addition, out of respect for the Ramadan, a month during which Muslims must fast from dawn till dusk, managers must expect and plan for productivity to go down in the event that contractual obligations are scheduled. Businesspeople not familiar with Islam might get frustrated by the lack of precision regarding scheduling and contracts attributable to the perspective that things will happen in good time as Allah wills. However, the Islamic work ethic is a commitment toward fulfillment and the individual's obligation to society, and so there is considerable respect for workers and business motives.²⁹ In addition, managers operating in Muslim countries must take care to avoid conflict with the prescribed gender roles in their hiring and placement practices, as described in the opening profile. Generally, job opportunities for women are limited in strict Islamic countries such as Saudi Arabia.

Buddhism, founded in India 2,500 years ago, remains the dominant religion of the Far East and is increasingly popular in the West. Buddhism emphasizes compassion and love and the ways in which suffering in the world can be relieved by righteous living and the cycle of rebirth. There is a high regard for others as if they are all part of the family, and an ethical consideration of one's actions upon the well-being of others. Buddhism promotes a strong work ethic, persistence, and hard work, and frowns on laziness. There are likely to be positive outcomes in the work environment by emphasizing teamwork and responsibility. Foreign managers should acknowledge and respect, for example, that employees expect to have a shrine on the wall or floor with a statue of Buddha and cups holding food and drink as offerings.³⁰

leadership attributes from 18,000 managers in 62 countries. Those managers were from a wide variety of industries and sizes of organizations from every corner of the globe. The team identified nine cultural dimensions that distinguish one society from another and have important managerial implications: assertiveness, future orientation, performance orientation, humane orientation, gender differentiation, uncertainty avoidance, power distance, institutional collectivism versus individualism, and in-group collectivism. Only the first four are discussed here; this avoids confusion for readers since the other five dimensions are similar to those researched by Hofstede, which are presented in the next section. (Other research results from the GLOBE Project are presented in subsequent chapters where applicable, such as in the Leadership section in Chapter 11.) The descriptions are as follows, along with selected rankings based on the GLOBE results shown in the accompanying bar charts.³¹

ASSERTIVENESS

This dimension refers to how much people in a society are expected to be tough, confrontational, and competitive versus modest and tender. Austria and Germany, for example, are highly assertive societies that value competition and have a “can-do” attitude. This compares with Sweden and Japan, less assertive societies, which tend to prefer warm and cooperative relations and harmony. The GLOBE team concluded that those countries have sympathy for the weak and emphasize loyalty and solidarity.

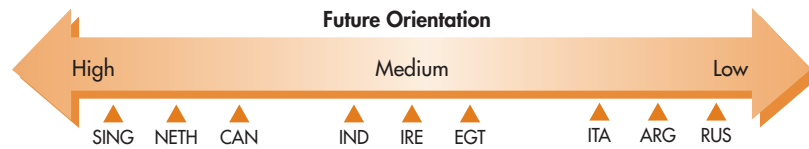


*Not to scale—indicates relative magnitude.

Source: Based on results from the GLOBE project.

FUTURE ORIENTATION

This dimension refers to the level of importance a society attaches to future-oriented behaviors such as planning and investing in the future. Switzerland and Singapore, high on this dimension, are inclined to save for the future and have a longer time horizon for decisions. This perspective compares with societies such as Russia and Argentina, which tend to plan more in the shorter term and place more emphasis on instant gratification.

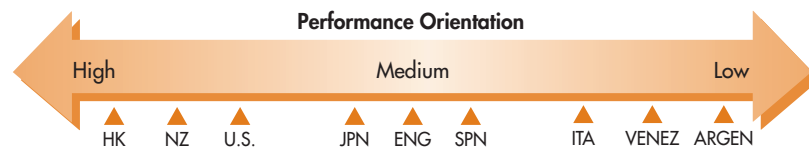


*Not to scale—indicates relative magnitude.

Source: Based on results from the GLOBE project.

PERFORMANCE ORIENTATION

This dimension measures the importance of performance improvement and excellence in society and refers to whether or not people are encouraged to strive for continued improvement. Singapore, Hong Kong, and the United States score high on this dimension; typically, this means that people tend to take initiative and have a sense of urgency and the confidence to get things done. Countries such as Russia and Italy have low scores on this dimension; they hold other priorities ahead of performance, such as tradition, loyalty, family, and background, and they associate competition with defeat.

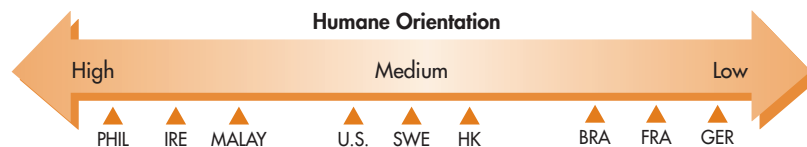


*Not to scale—indicates relative magnitude.

Source: Based on results from the GLOBE project.

HUMANE ORIENTATION

This dimension measures the extent to which a society encourages and rewards people for being fair, altruistic, generous, caring, and kind. Highest on this dimension are the Philippines, Ireland, Malaysia, and Egypt, indicating a focus on sympathy and support for the weak. In those societies paternalism and patronage are important, and people are usually friendly and tolerant and value harmony. This compares with Spain, France, and the former West Germany, which scored low on this dimension; people in these countries give more importance to power and material possessions, as well as self-enhancement.



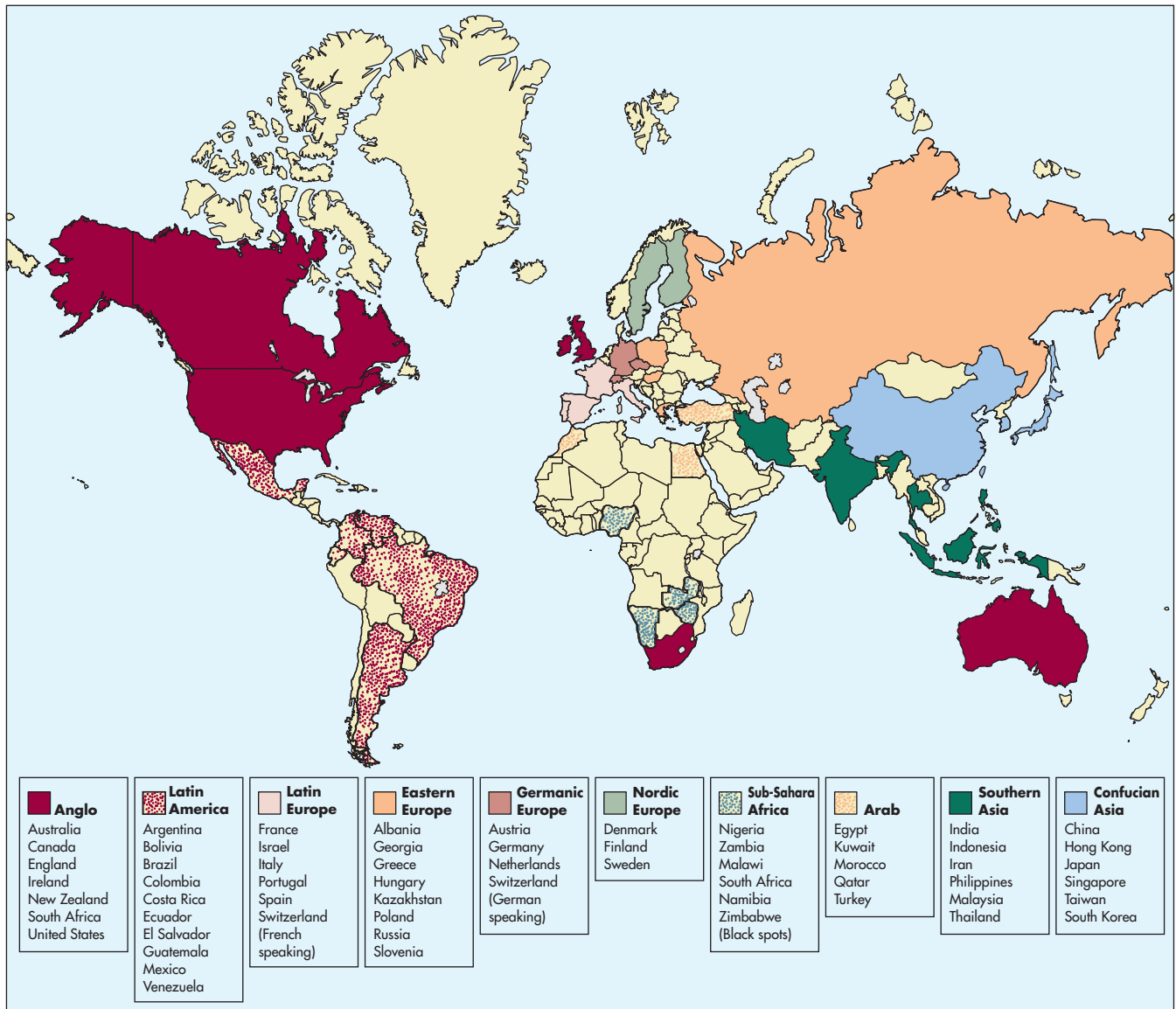
*Not to scale—indicates relative magnitude.

Source: Based on results from the GLOBE project.

Clearly, research results such as these are helpful to managers seeking to be successful in cross-cultural interactions. Anticipating cultural similarities and differences allows managers to develop the behaviors and skills necessary to act and decide in a manner appropriate to the local societal norms and expectations.

Cultural Clusters

Gupta et al., from the GLOBE research team, also analyzed their data on the nine cultural dimensions to determine where similarities cluster geographically. Their results support the existence of ten cultural clusters: South Asia, Anglo, Arab, Germanic Europe, Latin Europe, Eastern

EXHIBIT 3-3 Geographic Culture Clusters

Source: Data from V. Gupta, P. J. Hanes, and P. Dorfman, *Journal of World Business* 37, no. 1 (2002): 13.

Europe, Confucian Asia, Latin America, Sub-Sahara Africa, and Nordic Europe. They point out the usefulness to managers of these clusters:

Multinational corporations may find it less risky and more profitable to expand into more similar cultures rather than those which are drastically different.³²

These clusters are shown in Exhibit 3-3. To compare two of their cluster findings, for example, Gupta et al. describe the Germanic cluster as masculine, assertive, individualistic, and result-oriented. This compares with the Latin American cluster, which they characterize as practicing high power distance, low performance orientation, uncertainty avoidance, and collectivism.

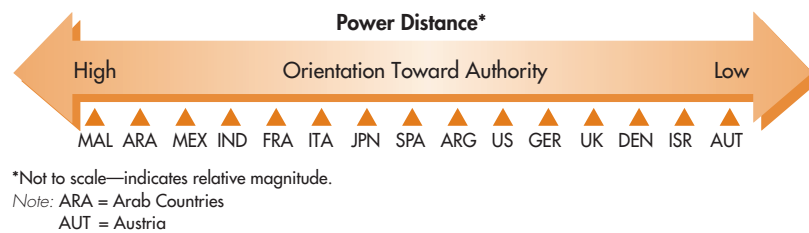
Latin American societies tend to enact life as it comes, taking its unpredictability as a fact of life, and not overly worrying about results.³³

Most researchers feel that there is a relationship between geographic cultural clusters and their similar economic systems, histories, or environmental characteristics.³⁴

Hofstede's Value Dimensions

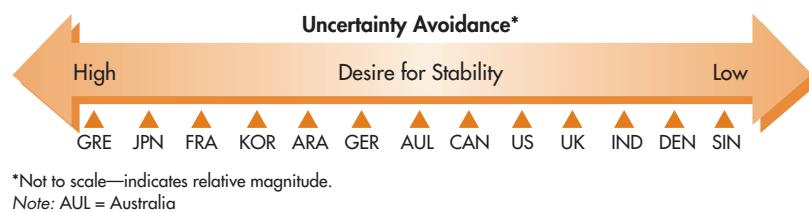
Earlier research resulted in a groundbreaking framework for understanding how basic values underlie organizational behavior; this framework was developed by Geert Hofstede, based on his research on over 116,000 people in 50 countries. He proposed four value dimensions: power distance, uncertainty avoidance, individualism, and masculinity.³⁵ We should be cautious when interpreting these results, however, because his research findings are based on a sample drawn from one multinational firm, IBM, and because he does not account for within-country differences in multicultural countries. Although we introduce these value dimensions here to aid in the understanding of different cultures, their relevance and application to management functions will be discussed in later chapters.

The first of Hofstede's value dimensions, **power distance**, is the level of acceptance by a society of the unequal distribution of power in institutions. What are the attitudes toward hierarchy and the level of respect for authority? How reluctant are employees to express disagreement with their managers? In the workplace, inequalities in power are normal, as evidenced in hierarchical boss–subordinate relationships. However, the extent to which subordinates accept unequal power is societally determined. In countries in which people display high power distance (such as Malaysia, the Philippines, and Mexico), employees acknowledge the boss's authority simply by respecting that individual's formal position in the hierarchy, and they seldom bypass the chain of command. This respectful response results, predictably, in a centralized structure and autocratic leadership. In countries where people display low power distance (such as Austria, Denmark, and Israel), superiors and subordinates are apt to regard one another as equal in power, resulting in more harmony, open communication of ideas, and cooperation. Clearly, an autocratic management style is not likely to be well received in low power distance countries.



Source: Based on G. Hofstede, "National Cultures in Four Dimensions," *International Studies of Management and Organization* (Spring-Summer 1983).

The second value dimension, **uncertainty avoidance**, refers to the extent to which people in a society feel threatened by ambiguous situations. Countries with a high level of uncertainty avoidance (such as Japan, Portugal, and Greece) tend to have strict laws and procedures to which their people adhere closely, and a strong sense of nationalism prevails. In a business context, this value results in formal rules and procedures designed to provide more security and greater career stability. Managers have a propensity for low-risk decisions, employees exhibit little aggressiveness, and lifetime employment is common. In countries with lower levels of uncertainty avoidance (such as Denmark, Great Britain, and, to a lesser extent, the United States), nationalism is less pronounced, and protests and other such activities are tolerated. As a consequence, company activities are less structured and less formal, some managers take more risks, and high job mobility is common.



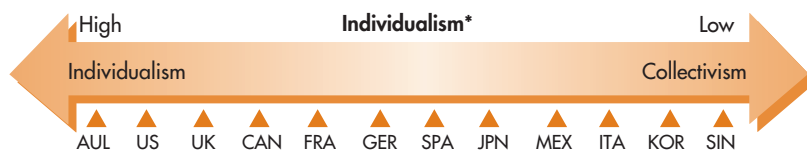
Source: Based on G. Hofstede, 1983.

The third of Hofstede's value dimensions, **individualism**, refers to the tendency of people to look after themselves and their immediate families with less emphasis on the needs of society;

the primary focus is on the individual or the nuclear family. In countries that prize individualism (such as the United States, Great Britain, and Australia) democracy, individual initiative, and achievement are highly valued; the relationship of the individual to organizations is one of independence on an emotional level, if not on an economic level.

In countries such as Pakistan and Panama, where low individualism prevails—that is, where **collectivism** predominates—there is more emphasis on group achievements and harmony, and the importance of the extended family or group. In such societies there are tight social frameworks, emotional dependence on belonging to “the organization,” and a strong belief in group decisions. People from a collectivist country, such as Japan, believe in the will of the group rather than that of the individual, and their pervasive collectivism exerts control over individual members through social pressure and the fear of humiliation. The society valorizes harmony and saving face, whereas individualistic cultures generally emphasize self-respect, autonomy, and independence. Hiring and promotion practices in collectivist societies are based on paternalism rather than achievement or personal capabilities, which are valued in individualistic societies. Other management practices (such as the use of quality circles in Japanese factories) reflect the emphasis on group decision-making processes in collectivist societies. The individualism-collectivism dimension, then, relates to the manner in which members of a group relate to one another and work together.³⁶

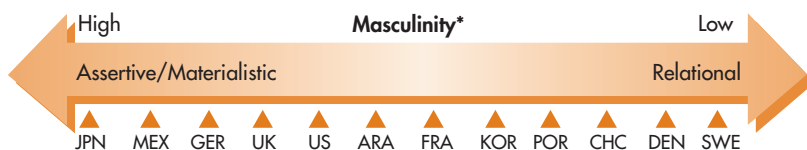
Hofstede’s findings indicate that most countries scoring high on individualism have both a higher gross national product and a freer political system than those countries scoring low on individualism—that is, there is a strong relationship among individualism, wealth, and a political system with balanced power. Other studies have found that the output of individuals working in a group setting differs between individualistic and collectivist societies. In the United States, a highly individualistic culture, social loafing is common—that is, people tend to perform less when working as part of a group than when working alone.³⁷ In a comparative study of the United States and the People’s Republic of China (a highly collectivist society), Earley found that the Chinese did not exhibit as much social loafing as the Americans.³⁸ This result can be attributed to Chinese cultural values, which subordinate personal interests to the greater goal of helping the group succeed.



*Not to scale—indicates relative magnitude.

Source: Based on G. Hofstede, 1983.

The fourth value dimension, **masculinity**, refers to the degree of traditionally “masculine” values—assertiveness, materialism, and a lack of concern for others—that prevail in a society. In comparison, femininity emphasizes “feminine” values—a concern for others, for relationships, and for the quality of life. In highly masculine societies (Japan and Austria, for example), women are generally expected to stay home and raise a family. In organizations, one finds considerable job stress, and organizational interests generally encroach on employees’ private lives. In countries with low masculinity (such as Switzerland and New Zealand), one finds less conflict and job stress, more women in high-level jobs, and a reduced need for assertiveness. The United States lies somewhat in the middle, according to Hofstede’s research. American women typically are encouraged to work, and families often are able to get some support for child care (through day-care centers and maternity leaves).



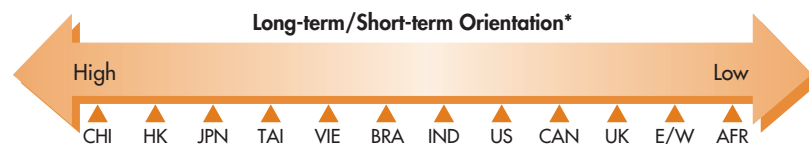
*Not to scale—indicates relative magnitude.

Source: Based on G. Hofstede, 1983.

The four cultural value dimensions proposed by Hofstede do not operate in isolation; rather, they are interdependent and interactive—and thus complex—in their effects on work attitudes and behaviors. For example, in a 2000 study of small to medium-sized firms in Australia, Finland, Greece, Indonesia, Mexico, Norway, and Sweden, based on Hofstede's dimensions, Steensma, Marino, and Weaver found that “entrepreneurs from societies that are masculine and individualistic have a lower appreciation for cooperative strategies as compared to entrepreneurs from societies that are feminine and collectivist. Masculine cultures view cooperation in general as a sign of weakness and individualistic societies place a high value on independence and control.”³⁹ In addition, they found that high levels of uncertainty avoidance prompted more cooperation, such as developing alliances to share risk.

LONG-TERM/SHORT-TERM ORIENTATION

Later research in 23 countries, using a survey developed by Bond and colleagues called the Chinese Value Survey, led Hofstede to develop a fifth dimension—called the Confucian work dynamism—which he labeled a long-term/short-term dimension. He defined long-term orientation as “the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs.”⁴⁰ In other words, managers in most Asian countries are more future-oriented and so strive toward long-term goals; they value investment in the future and are prepared to sacrifice short-term profits. However, managers in countries such as Great Britain, Canada, and the United States place a higher value on short-term results and profitability, and evaluate their employees accordingly.



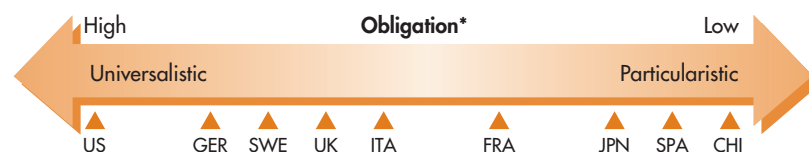
*Not to scale—indicates relative magnitude.

Source: Based on G. Hofstede, 2001.

Trompenaars's Value Dimensions

Fons Trompenaars also researched value dimensions; his work was spread over a ten-year period, with 15,000 managers from 28 countries representing 47 national cultures. Some of those dimensions, such as individualism, people's attitude toward time, and relative inner- versus outer-directedness, are similar to those discussed elsewhere in this chapter and others, and so are not presented here; other selected findings from Trompenaars's research that affect daily business activities are explained next, along with the placement of some of the countries along those dimensions, in approximate relative order.⁴¹ If we view the placement of these countries along a range from personal to societal, based on each dimension, some interesting patterns emerge.⁴² One can see that the same countries tend to be at similar positions on all dimensions, with the exception of the emotional orientation.

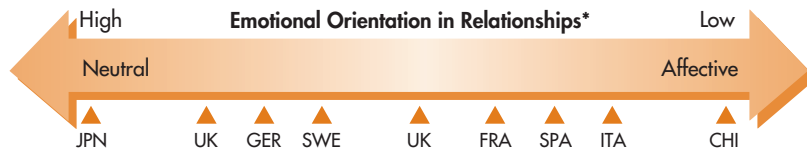
Looking at Trompenaars's dimension of **universalism versus particularism**, we find that the universalistic approach applies rules and systems objectively, without consideration for individual circumstances, whereas the particularistic approach—more common in Asia and in Spain, for example—puts the first obligation on relationships and is more subjective. Trompenaars found, for example, that people in particularistic societies are more likely to pass on insider information to a friend than those in universalistic societies.



*Not to scale—indicates relative magnitude.

Source: Data based on F. Trompenaars, 1993.

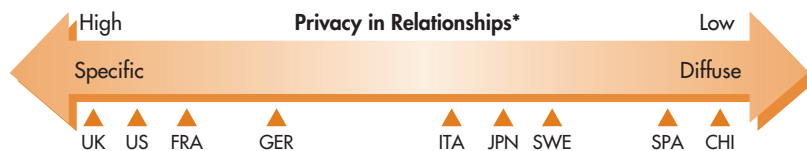
In the **neutral versus affective** dimension, the focus is on the emotional orientation of relationships. The Italians, Mexicans, and Chinese, for example, would openly express emotions, even in a business situation, whereas the British and Japanese would consider such displays unprofessional; they, in turn, would be regarded as “hard to ‘read.’”



*Not to scale—indicates relative magnitude.

Source: Data based on F. Trompenaars, 1993.

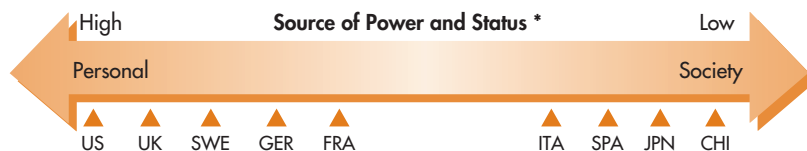
As far as involvement in relationships goes, people tend to be either **specific or diffuse** (or somewhere along that dimension). Managers in specific-oriented cultures—the United States, United Kingdom, France—separate work and personal issues and relationships; they compartmentalize their work and private lives, and they are more open and direct. In diffuse-oriented cultures—Sweden, China—work spills over into personal relationships and vice versa.



*Not to scale—indicates relative magnitude.

Source: Data based on F. Trompenaars, 1993.

In the **achievement versus ascription** dimension, the question that arises is “What is the source of power and status in society?” In an achievement society, the source of status and influence is based on individual achievement—how well one performs the job and what level of education and experience one has to offer. Therefore, women, minorities, and young people usually have equal opportunity to attain position based on their achievements. In an ascription-oriented society, people ascribe status on the basis of class, age, gender, and so on; one is more likely to be born into a position of influence. Hiring in Indonesia, for example, is more likely to be based on who you are than is the case in Germany or Australia.



*Not to scale—indicates relative magnitude.

Source: Data based on F. Trompenaars, 1993.

It is clear, then, that a lot of what goes on at work can be explained by differences in people’s innate value systems, as described by Hofstede, Trompenaars, and the GLOBE researchers. Awareness of such differences and how they influence work behavior can be very useful to you as a future international manager.

CONSEQUENCE OR CAUSE?

At this point, it is worth considering the results of a study by Steel and Taras, published in 2010, in which they challenge the view held by Hofstede and others of culture as the cause, and not the effect, of variations in cultural values. Steel and Taras argue that the opposite can be true, that “culture is a consequence of certain individual and national-level factors.”⁴³ They conclude that the research results provide a basis for explaining variations in cultural values within and between countries, and that “cultures are determined by a set of individual and country level factors

and are likely to change in response to a change in the culture-determining factors.”⁴⁴ Examples of the factors they considered are macro factors such as wealth and freedom, and micro factors such as age, gender, education, and socio-economic status. Steel and Taras stress, therefore, that we should not rely on national averages to draw conclusions about individuals.⁴⁵ Other researchers also hold this broader concept of the origins of cultural behavior; Meuthel and Hoegl, for example, state that “we extend the traditional view of culture as an exclusive country-level determinant to a more comprehensive view that integrates social institutions such as the education system, economic freedom, and civil liberties.”⁴⁶

Clearly, the origins, causes, and effects of cultural variables are complex, but the fact remains that culture plays a key role in the workplace and that international managers must be aware of that role and manage accordingly.

Critical Operational Value Differences

After studying various research results about cultural variables, it helps to identify some specific culturally based variables that cause frequent problems for managers around the world. Important variables are those involving conflicting orientations toward time, change, material factors, and individualism. We try to understand these operational value differences because they strongly influence a person’s attitudes and probable response to work situations.

TIME

Americans often experience much conflict and frustration because of differences in the concept of time around the world—that is, differences in temporal values. To Americans, time is a valuable and limited resource; it is to be saved, scheduled, and spent with precision, lest we waste it. The clock is always running—time is money. Therefore, deadlines and schedules have to be met. When others are not on time for meetings, Americans may feel insulted; when meetings digress from their purpose, Americans tend to become impatient. Similar attitudes toward time are found in Western Europe and elsewhere.

In many parts of the world, however, people view time from different and longer perspectives, often based on religious beliefs (such as reincarnation, in which time does not end at death), on a belief in destiny, or on pervasive social attitudes. In Latin America, for example, a common attitude toward time is *mañana*, a word that literally means “tomorrow.” A Latin American person using this word, however, usually means an indefinite time in the near future. Similarly, the word *bukra* in Arabic can mean “tomorrow” or “some time in the future.” While Americans usually regard a deadline as a firm commitment, Arabs often regard a deadline imposed on them as an insult. They feel that important things take a long time and therefore cannot be rushed. To ask an Arab to rush something, then, is to imply that you have not given him an important task or that he would not treat that task with respect. International managers have to be careful not to offend people—or lose contracts or employee cooperation—because they misunderstand the local language of time.

CHANGE

Because they are based largely on long-standing religious beliefs, values regarding the acceptance of change and the pace of change can vary immensely among cultures. Western people generally believe that an individual can exert some control over the future and can manipulate events, particularly in a business context—that is, individuals feel they have some internal control. In many non-Western societies, however, control is considered external; people generally believe in destiny or the will of their God, and therefore adopt a passive attitude or even feel hostility toward those introducing the “evil” of change. In societies that place great importance on tradition (such as Japan), one small area of change may threaten an entire way of life. However, the younger generations are becoming more exposed to change through globalization, technology, and media exposure. International firms are agents of change throughout the world. Some changes are more popular than others.

MATERIAL FACTORS

In large part, Americans consume resources at a far greater rate than most of the rest of the world. Their attitude toward nature—that it is there to be used for their benefit—differs from

EXHIBIT 3-4 Fundamental Differences between Japanese and Mexican Culture That Affect Business Organizations

Dimension	Japanese Culture	Mexican Culture
Hierarchical nature	Rigid in rank and most communication; blurred in authority and responsibility	Rigid in all aspects
Individualism vs. collectivism	Highly collective culture; loyalty to work group dominates; group harmony very important	Collective relative to family group; doesn't transfer loyalty to work group; individualistic outside family group
Attitudes toward work	Work is sacred duty; acquiring skills, working hard, thriftiness, patience, and perseverance are virtues	Work is means to support self and family; leisure more important than work
Time orientation	Balanced perspective; future oriented; monochronic in dealings with outside world	Present oriented; time is imprecise; time commitments become desirable objectives
Approach to problem solving	Holistic, reliance on intuition, pragmatic, consensus important	Reliance on intuition and emotion, individual approach
Fatalism	Fatalism leads to preparation	Fatalism makes planning, disciplined routine unnatural
View of human nature	Intrinsically good	Mixture of good and evil

Source: J. J. Lawrence and Ryh-song Yeh, "The Influence of Mexican Culture on the Use of Japanese Manufacturing Techniques in Mexico," *Management International Review* 34, no. 1 (1994): 49–66, used with permission.

the attitudes of Indians and Koreans, for example, whose worship of nature is part of their religious beliefs. Whereas Americans often value physical goods and status symbols, many non-Westerners find these things unimportant; they value the aesthetic and the spiritual realm. Such differences in attitude have implications for management functions such as motivation and reward systems because the proverbial carrot must be appropriate to the employee's value system.

INDIVIDUALISM

In general, Americans tend to work and conduct their private lives independently, valuing individual achievement, accomplishments, promotions, and wealth above any group goals. In many other countries, individualism is not valued (as discussed previously in the context of Hofstede's work). In China, for example, much more of a "we" consciousness prevails, and the group is the basic building block of social life and work. For the Chinese, conformity and cooperation take precedence over individual achievement, and the emphasis is on the strength of the family or community—the predominant attitude being, "We all rise or fall together."

International managers often face conflicts in the workplace as a result of differences in these four basic values of time, change, materialism, and individualism. If these operational value differences and their likely consequences are anticipated, managers can adjust expectations, communications, work organization, schedules, incentive systems, and so forth to provide for more constructive outcomes for the company and its employees. Some of these operational differences are shown in Exhibit 3-4, using Japan and Mexico as examples. Note in particular the factors of time, individualism, change (fatalism), and materialism (attitudes toward work) expressed in the exhibit.

THE INTERNET AND CULTURE

As of January 1, 2012, South Korea had 82.7% of its population who were internet users—compared with 78.3% for the United States for the internet population penetration.

WWW.INTERNETWORLDSTATS.COM.⁴⁷

We would be remiss if we did not acknowledge the contemporary phenomenon of the increasingly pervasive use of the Internet in society, for it seems to be encroaching on many of the social

variables discussed earlier—in particular associations, education, and the economy, as well as politics, as evidenced in the 2011 “Arab Spring,” discussed in Chapter 1. In South Korea, for example, there is an obsession for anything digital. Over 82 percent of homes are connected to a high-speed Internet service. That compares with an average of 61 percent for the European countries, 78 percent in the United States, and 38 percent for China. Seoul is the most technologically advanced city in the world. This phenomenon seems to be changing the lives of many Koreans. Teenagers, once used to hanging out at the mall, now do so at the country’s thousands of personal computer (PC) parlors to watch movies, check email, and surf the Net. Korea’s GDP per capita in 2011 was \$22,778, compared with \$5,414 (estimated) for China.⁴⁸ Clearly there is a correlation with the economic development in the country overall, and we would conclude that there is widespread connection between Internet usage and certain cultural effects.

At the same time that the Internet is affecting culture, culture is also affecting how the Internet is used. One of the pervasive ways that culture is determining how the Internet may be used in various countries is through the local attitude to **information privacy**—the right to control information about oneself—as observed in the following quote:

You Americans just don’t seem to care about privacy, do you?

SWEDISH EXECUTIVE.⁴⁹

While Americans collect data about consumers’ backgrounds and what they buy, often trading that information with other internal or external contacts, the Swedes, for example, are astounded that this is done, especially without governmental oversight.⁵⁰ The Swedes are required to register all databases of personal information with the Data Inspection Board (DIB), their federal regulatory agency for privacy, and to get permission from that board before that data can be used. Indeed, the Swedish system is typical of most countries in Europe in their societal approaches to privacy.⁵¹ Generally in Europe, each person must be informed, and given the chance to object, if the information about that person is going to be used for direct marketing purposes or released to another party. That data cannot be used for secondary purposes if the consumer objects.

In Italy, data cannot be sent outside—even to other EU countries—without the explicit consent of the data subject. . . .

*In Spain, all direct mail has to include the name and address of the data owner so that the data subject is able to exercise his rights of access, correction, and removal.*⁵²

The manner in which Europe views information privacy has its roots in culture and history, leading to a different value set regarding privacy. The preservation of privacy is considered a human right, perhaps partially as a result of an internalized fear about how personal records were used in war times in Europe. In addition, research by Smith on the relationship between levels of concern about privacy and Hofstede’s cultural dimensions revealed that high levels of uncertainty avoidance were associated with the European approach to privacy, whereas higher levels of individualism, masculinity, and power distance were associated with the U.S. approach.⁵³

It seems, then, that societal culture and the resultant effects on business models can render the assumptions about the “global” nature of information technology incorrect. U.S. businesspeople, brought up on a strong diet of the market economy, need to realize that they will often need to “localize” their use of IT to different value sets about its use. This advice applies in particular to the many e-commerce companies doing business overseas. With 75 percent of the world’s Internet market living outside the United States, multinational e-businesses are learning the hard way that their Web sites must reflect local markets, customs, languages, and currencies to be successful in foreign markets. Different legal systems, financial structures, tastes, and experiences necessitate attention to every detail to achieve global appeal. In other words, e-businesses must localize to globalize, which means much more than translating online content to local languages. Lycos Europe, for example, based its privacy policies upon German law since it is the most stringent.

One problem area often beyond the control of e-business is the costs of connecting to the Internet for people in other countries. Other practical problems in Asia, as well as in Germany, the Netherlands, and Sweden, include the method of payment, which in most of these places still involves cash or letters of credit and written receipts. Dell tackled this problem by offering debit payments from consumers’ checking accounts. Some companies have learned the hard way that

they need to do their homework before launching sites aimed at overseas consumers. Dell, for example, committed a faux pas when it launched an e-commerce site in Japan with black borders on its Web site; black is considered negative in the Japanese culture, so many consumers took one look and didn't want anything else to do with it. Dell executives learned that the complexity of language translation into Japanese was only one area in which they needed to localize.

As much as cultural and societal factors can affect the use of the internet for business, it is also clear that IT can have dramatic changes on culture and society, as illustrated by the accompanying Management in Action feature about the changes occurring as a result of India's burgeoning IT industry.



MANAGEMENT IN ACTION

India's IT Industry Brings Cultural Changes⁵⁴

Many longtime residents of Bangalore, India, seem to be locked in a cultural struggle with Infosys Technologies (INFY), Wipro Technologies (WIT), and others in the software industry, even though they have made Bangalore famous and increased its wealth. Residents complain that Bangalore used to be one of India's most pleasant cities. But with the addition of 500,000 IT workers living alongside nearly 7 million other residents, the city has become very crowded and expensive. The locals ask,

*Does the city belong to the IT industry, with all its riches? Or does it belong to those who arrived first, whose children must now work for outsiders who don't speak the local language, Kannada?*⁵⁵

Apart from the early curfew on nightlife, the industry has upended the city's policies. The old-timers contend, in a city where few locals can afford cars, that the government is spending too much of the city's resources on building wider roads to speed tech workers around. In its defense, the software industry claims that it has benefited everyone by improving the city and bringing new wealth and services, such as a new subway system. Although the global credit crunch has slowed its growth, over the past decade the tech sector has created tens of thousands of jobs, not only in the software and back-office support industries, but also for all the people who support those companies. While most of India's IT companies still get at least half of their revenue from the United States alone, now they are finding more business domestically. As a result, the digital divide between urban and rural areas is narrowing, and the IT industry is helping support industries to grow in a domestic economy expanding 9 percent a year—this all thanks to India's IT talent.

It is these kinds of opportunities, amid the benefits of increasing economic openness in India, that have attracted Anand Giridharad, and others whose families had earlier emigrated to the United States, to return to India. The idea of returning to India is spreading virally in émigré homes as the U.S. economy declines and the job market tightens. This phenomenon led Anand to ask:

*If our parents left India and trudged westward for us, if they manufactured from scratch a new life there for us, if they slogged, saved, sacrificed to make our lives lighter than theirs, then what does it mean when we choose to migrate to the place they forsook?*⁵⁶

He noted that his father, in the 1970s, felt frustrated in companies that awarded roles based on age, not achievement, and that doctors and engineers were revered while others were neglected and mistreated. Since then India has liberalized, privatized, and globalized, with the economy growing rapidly, bringing with it much optimism for its people. At the same time, America has declined and many jobs have moved to India, particularly in IT and back-office services.

In a sign of the times, India offered an Overseas Citizen of India card in 2006, offering foreign citizens of Indian origin visa-free entry for life and making it easier to work in that country. By July 2008, more than 280,000 émigrés had signed up, including 120,000 from the United States.

Those émigrés are now re-learning those many aspects of Indian culture that remain—for example, the formalities and hierarchies left from British rule; that making friends entails befriending the whole family; and the very relaxed attitude toward time. Those second-generation returnees to their motherland are now mixing Western and Indian cultures by starting companies where the employees learn Western management techniques and by using financial instruments involving both local and Wall Street sources for deals. In other ways they are starting companies that offer a mix of Western and Indian products and services.⁵⁷

Much of the traditional cultural underpinnings remain, of course. Narayana Murthy, founder and (until 2011) chairman of the board of Infosys, the Indian IT giant, was asked to comment on what explains the success of great Indian businesses such as Infosys, Wipro, and the Tata group. Mr. Murthy said that there are some culturally specific qualities, but also some universal ones, that lie behind the achievements.

(Continued)

He commented that of course honesty, decency, integrity, and a strong work ethic all matter. But these are not unique to India. Rather, he said:

*It is the concept of the family which perhaps sets India apart. Family bonds are strong and intense in India. People inevitably bring that ethos to work with them.*⁵⁸

Of course, much of India has not been directly touched by the IT industry, and so in those areas the Indian culture remains untouched by the IT industry and globalization. Management is often paternalist and autocratic, based on formal authority and charisma (with decision making mostly centralized), an emphasis on rules, and a low propensity for risk. Nepotism prevails in job hiring and placement, and for the most part:

*Relationship orientation seems to be a more important characteristic of effective leaders in India than performance or task orientation.*⁵⁹

DEVELOPING CULTURAL PROFILES

Managers can gather considerable information on cultural variables from current research, personal observation, and discussions with people. From these sources, managers can develop cultural profiles of various countries—composite pictures of working environments, people's attitudes, and norms of behavior. As we have previously discussed, these profiles are often highly generalized; many subcultures, of course, may exist within a country. However, managers can use these profiles to anticipate drastic differences in the level of motivation, communication, ethics, loyalty, and individual and group productivity that may be encountered in a given country. More such homework may have helped Wal-Mart's expansion efforts into Germany and South Korea, from which it withdrew in 2006. Wal-Mart's executives simply did not do enough research about the culture and shopping habits of people in those countries; for example:

*In Germany, Wal-Mart stopped requiring sales clerks to smile at customers—a practice that some male shoppers interpreted as flirting—and scrapped the morning Wal-Mart chant by staff members. "People found these things strange; Germans just don't behave that way," said Hans-Martin Poschmann, the secretary of the Verdi union.*⁶⁰

It is relatively simple for Americans to pull together a descriptive profile of U.S. culture, even though regional and individual differences exist, because Americans know themselves and because researchers have thoroughly studied U.S. culture. The results of one such study by Harris and Moran are shown in Exhibit 3-5, which provides a basis of comparison with other cultures and, thus, suggests the likely differences in workplace behaviors.

It is not so easy, however, to pull together descriptive cultural profiles of peoples in other countries unless one has lived there and been intricately involved with those people. Still, managers can make a start by using what comparative research and literature are available. The accompanying Comparative Management in Focus feature provides brief, generalized country

EXHIBIT 3-5 Americans at a Glance

1. *Goal and achievement oriented*—Americans think they can accomplish anything, given enough time, money, and technology.
2. *Highly organized and institutionally minded*
3. *Freedom-loving and self-reliant*—a belief that all persons are equal; they admire self-made people.
4. *Work-oriented and efficient*—a strong work ethic; conscious of time and efficient in doing things.
5. *Friendly and informal*—informal in greeting and dress; a noncontact culture (avoid embracing in public.)
6. *Competitive and aggressive*—driven to achieve and succeed in play and business.
7. *Values in transition*—traditional family values are undergoing transition.
8. *Generosity*—Americans are a sharing people.

Source: Based on excerpts from *Managing Cultural Differences* by Philip R. Harris and Robert T. Moran, 5th ed. Copyright © 2000 by Gulf Publishing Company, Houston, TX.

profiles based on a synthesis of research, primarily from Hofstede⁶¹ and England,⁶² as well as numerous other sources.⁶³ These profiles illustrate how to synthesize information and gain a sense of the character of a society—from which implications may be drawn about how to manage more effectively in that society. More extensive implications and applications related to managerial functions are drawn in later chapters.

Recent evidence in Japan points to some convergence with Western business culture resulting from Japan's economic contraction and subsequent bankruptcies. Focus on the group, lifetime employment, and a pension has given way to a more competitive business environment with job security no longer guaranteed and an emphasis on performance-based pay. This has led Japan's "salarymen" to recognize the need for personal responsibility on the job and in their lives. Although only a few years ago emphasis was on the group, Japan's long economic slump seems to have caused some cultural restructuring of the individual. Corporate Japan is changing from a culture of consensus and "groupthink" to one touting the need for an "era of personal responsibility" as a solution to revitalize its competitive position in the global marketplace.⁶⁴

*To tell you the truth, it's hard to think for yourself, says Mr. Kuzuoka . . . [but, if you don't] . . . in this age of cutthroat competition, you'll just end up drowning.*⁶⁵



COMPARATIVE MANAGEMENT IN FOCUS

Profiles in Culture—Japan, Germany, Latin America

JAPAN

*The traditional Japanese business characteristics of politeness and deference have left companies without the thrusting culture needed to succeed internationally.*⁶⁶

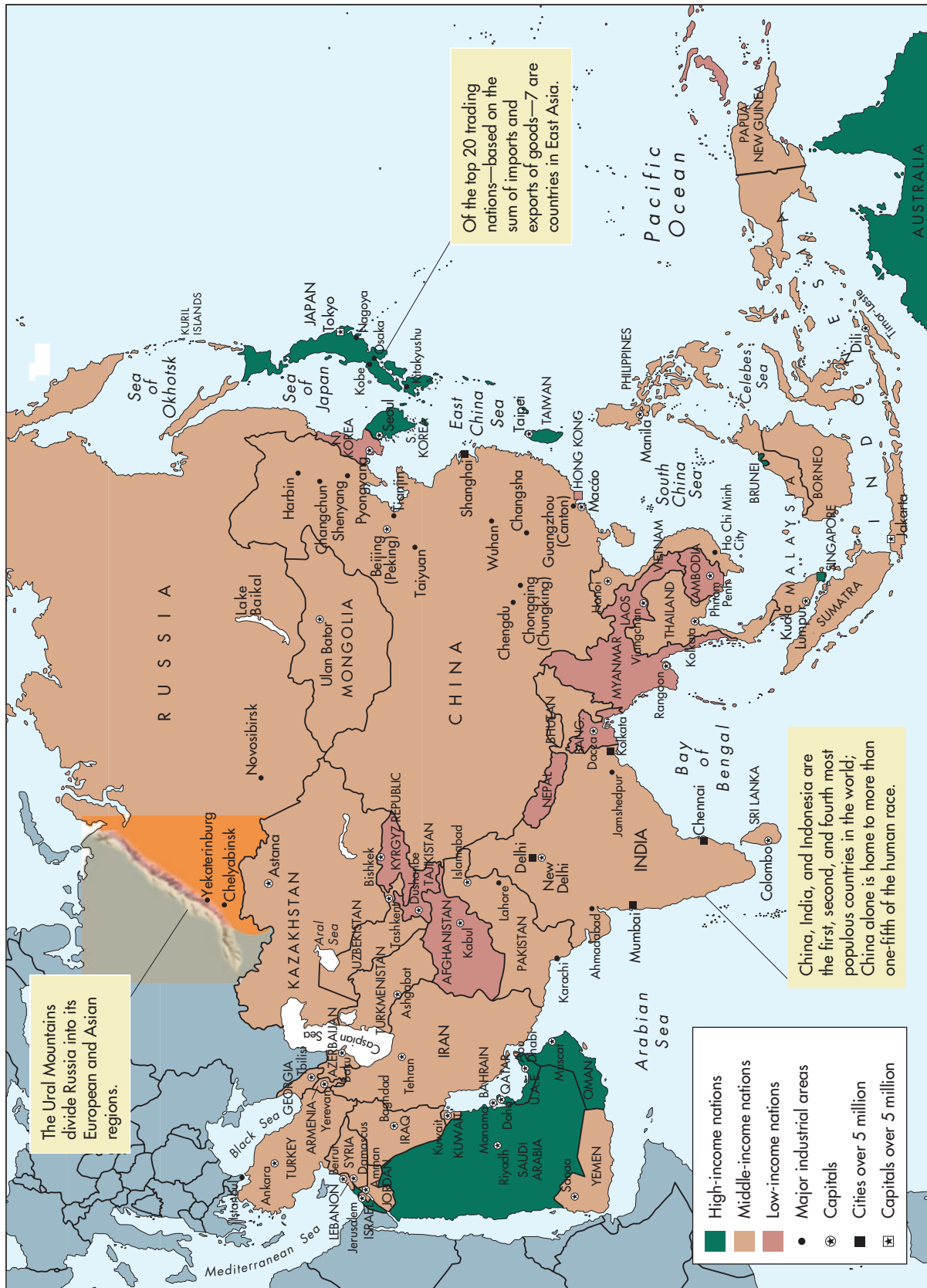
With intense global competition, many Japanese companies are recognizing the need for more assertiveness and clarity in their business culture in order to expand abroad. As a result, Japanese employees are recognizing the need to manage their own careers as companies move away from lifetime employment to be more competitive. Only a handful of large businesses, such as Toyota, Komatsu, and Canon, have managed to become indisputable global leaders by maintaining relationships as a foundation for their operations around the world.⁶⁷ For the majority of Japanese, the underlying cultural values still predominate—at least for now.

Japanese culture is strong, formal, and largely homogeneous, and is inculcated to the young through the teachings and expectations conveyed by the extended family. Much of Japanese culture—and the basis of working relationships—can be explained by the principle of *wa*, "peace and harmony." This principle, embedded in the value the Japanese attribute to *amae* ("indulgent love"), probably originated in the Shinto religion, which focuses on spiritual and physical harmony. *Amae* results in *shinyo*, which refers to the mutual confidence, faith, and honor necessary for successful business relationships. Japan ranks high on pragmatism, masculinity, and uncertainty avoidance, and fairly high on power distance. At the same time, much importance is attached to loyalty, empathy, and the guidance of subordinates. The result is a mix of authoritarianism and humanism in the workplace, similar to a family system. These cultural roots are evident in a homogeneous managerial value system, with strong middle management, strong working relationships, strong seniority systems that stress rank, and an emphasis on looking after employees. The principle of *wa* carries forth into the work group—the building block of Japanese business. The Japanese strongly identify with their work groups and seek to cooperate with them. The emphasis is on participative management, consensus problem solving, and decision making with a patient, long-term perspective. Open expression and conflict are discouraged, and it is of paramount importance to avoid the shame of not fulfilling one's duty. These elements of work culture result in a devotion to work, collective responsibility, and a high degree of employee productivity. In meetings, punctuality is essential; the meeting should start with a bow or handshake, then exchanging business cards (*meishi*) using both hands, and then reading the card before you put it in your pocket. Titles and last names should be used and some small talk should take place before business.⁶⁸ Do not invade the personal space of the Japanese, and avoid any confrontation, or any non-verbal excess. Also, it is important to avoid singling out any one Japanese person, since it is a group process.

Professor Nonaka, a specialist in how companies tap the collective intelligence of their workers, discusses a similar Japanese concept of *ba*: an interaction among colleagues on the job that leads to knowledge-sharing. He says that

(Continued)

MAP 3.2 Japan/Asia

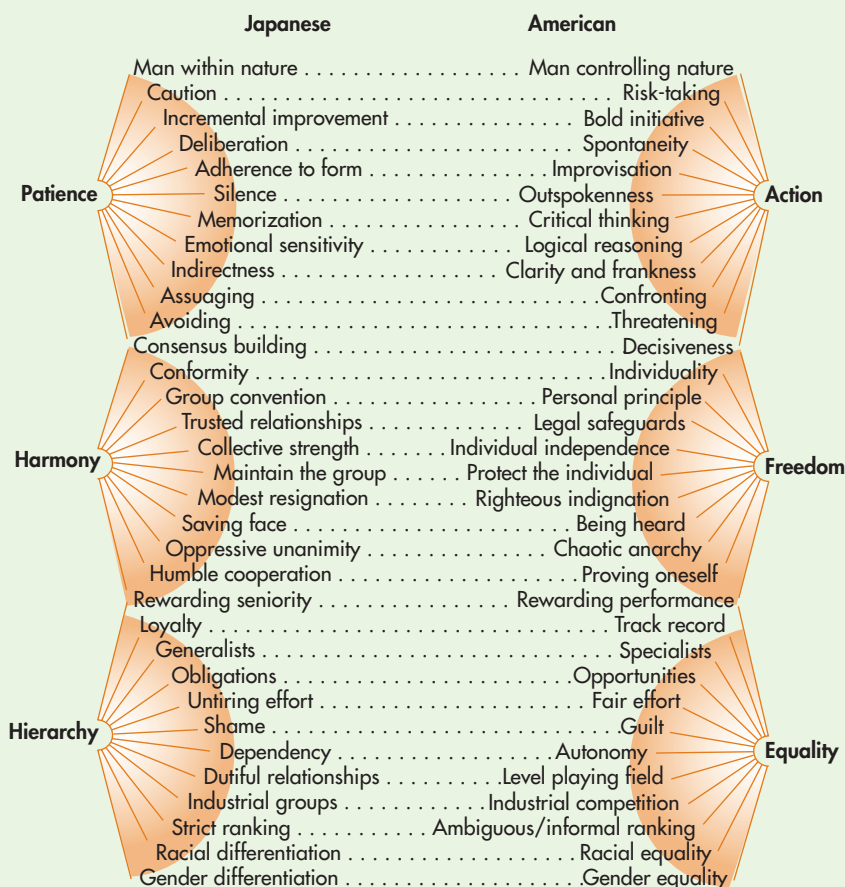


*Ba can occur in a work group, a project team, an ad hoc meeting, a virtual e-mail list, or at the frontline point of contact with customers. It serves as a petri dish in which shared insights are cultivated and grown.*⁶⁹

The message is clear that, in Japan, companies that give their employees freedom to interact informally are likely to benefit from new ideas and collaboration.

If we extend this cultural profile to its implications for specific behaviors in the workplace, we can draw a comparison with common American behaviors. Most of those American behaviors seem to be opposite to those of their Japanese counterparts; it is no wonder that many misunderstandings and conflicts in the workplace arise between Americans and Japanese (See Exhibit 3-6). For example, a majority of the attitudes and behaviors of many Japanese stems from a high level of collectivism, compared with a high level of individualism common to Americans. This contrast is highlighted in the center of Exhibit 3-6—“Maintain the group” compared with “Protect the individual.” In addition, the strict social order of the Japanese permeates the workplace in adherence to organizational hierarchy and seniority and in loyalty to the firm. This contrasts markedly with the typical American responses to organizational relationships and duties based on equality. In addition, the often blunt, outspoken American businessperson offends the indirectness and sensitivity of the Japanese, for whom the virtue of patience is paramount, causing the silence and avoidance that so frustrates Americans. As a result, Japanese businesspeople tend to think of American organizations as having no spiritual quality and little loyalty to employees, and they think of Americans as assertive, frank, and egotistic. Their American counterparts, in turn, respond with the impression that Japanese businesspeople have little experience and are secretive, arrogant, and cautious.⁷⁰ Westerners doing business in Japan need to be aware

EXHIBIT 3-6 The American-Japanese Cultural Divide



Source: R. G. Linowes, “The Japanese Manager’s Traumatic Entry into the United States: Understanding the American–Japanese Cultural Divide,” *The Academy of Management Executive* 7, no. 4 (1993): 24.

(Continued)

of the importance of *giri*—the expectations of reciprocity in relationships and how to behave. Managers should inform themselves in particular about the practice of gift-giving and the relationship of the type of gift suitable for the relative status of the parties involved; gift giving is accepted practice, but make sure it is not too big or it will be an embarrassment and also may be considered to be an attempt at a bribe.

Germany The reunited Germany is somewhat culturally diverse, inasmuch as the country borders several nations. Generally, Germans rank quite high on Hofstede's dimension of individualism, although their behaviors seem less individualistic than those of Americans. They score fairly high on uncertainty avoidance and masculinity and have a relatively small need for power distance. These cultural norms show up in the Germans' preference for being around familiar people and situations; they are also reflected in their propensity to do a detailed evaluation of business deals before committing themselves.

Christianity underlies much of German culture—more than 96 percent of Germans are Catholics or Protestants. This may be why Germans tend to like rule and order in their lives, and why there is a clear public expectation of acceptable and the unacceptable ways to act. Public signs everywhere in Germany dictate what is allowed or *verboten* (forbidden). Germans are very strict with their use of time, whether for business or pleasure, frowning on inefficiency or on tardiness.

In business, Germans tend to be assertive, but they downplay aggression. Decisions are typically centralized, although hierarchical processes sometimes give way to consensus decision making. However, strict departmentalization is present in organizations, with centralized and final authority at the departmental manager level. Employees do not question the authority of their managers. German companies typically have a vertical hierarchical structure with detailed planning and standardized rules and procedures; the emphasis is on order and control to avoid risk.

In the business setting, Germans look for security, well-defined work procedures, rules, established approaches, and clearly defined individual assignments. In short, the German business environment is highly structured. "Ordnung" (order) is the backbone of company life.⁷¹

What the Germans call *Ordnung* (the usual translation is "order," but it is a much broader concept) is the unwritten road map of how to live one's life. "A group of Germans lined up on an empty street corner, even in the middle of the night, waiting for a light to change before crossing, is one of the favorite first impressions taken away by visiting Americans, who are usually jaywalking past as they observe it."⁷² For self-reliant Americans, the German adherence to precise rules and regulations is impressive but often stifling.

Hall and Hall describe the German preference for closed doors and private space as evidence of the affinity for compartmentalization in organizations and in their own lives. They also prefer more physical space around them in conversation than do most other Europeans, and they seek privacy so as not to be overheard. German law prohibits loud noises in public areas on weekend afternoons. Germans are conservative, valuing privacy, politeness, and formality; they usually use last names and titles for all except those close to them. Business interactions are specifically task-focused, and not for relationship-building. Meetings are formal and require written documents in both English and German. Deference is given to people of authority on both sides. There is a strict protocol, including the order of people entering the room and getting seated—according to rank and age, and with men entering before women! It all requires patience with the protocol and formality, and you should wait to sit until it is indicated. The Germans do not respond well to displays of emotions and promises, and any confrontational behavior will backfire. Once a contract is in place it will be strictly followed.⁷³

Most Germans prefer to focus on one task or issue at a time, that task taking precedence over other demands; strict schedules are important, as is punctuality, both showing respect for all concerned. Overall, Germany is what Walker et al. call a "doing-oriented" culture—that is, a task and achievement orientation of "work first, pleasure second."⁷⁴ Such cultures include Switzerland, Germany, Austria, the Netherlands, and the Scandinavian countries. (This compares with "being-oriented" cultures—such as those of Belgium, France, Greece, Ireland, and most Latin American countries—where the general predisposition is more toward "work to live," rather than "live to work." Priority is given to affiliation and personal qualities in "being-oriented" cultures.)

In negotiations, Germans want detailed information before and during discussions, which can become lengthy. They give factors such as voice and speech control much weight. However, since Germany is a low-context society, communication is explicit, and Americans find negotiations easy to understand.⁷⁵ On the other hand, Germans communicating with businesspeople from a high-context culture such as that in Japan will be perceived as abrupt, insensitive, and indifferent. (Low-context refers to a direct communication style, compared with a high-context, indirect style. This variable is further explained in Chapter 4.) Whereas most Asians, for example, will be implicit and indirect, always aware of the need to "save face" for everyone concerned, most Germans are very direct and straightforward; tact and diplomacy takes second place to voicing their opinions.

Latin America Latin America is not one homogenous area, of course; rather, it comprises many diverse, independent nations (most commonly referred to as those territories in the Americas where the Spanish or Portuguese languages prevail: Mexico; most of Central and South America; and Cuba, the Dominican Republic, and Puerto Rico in the Caribbean). Businesspeople are most likely to go to the rapidly developing economies of Chile and Brazil, and, of course, to Mexico. (Portuguese is the language in Brazil.) Christianity—predominantly Roman Catholicism—prevails throughout Latin America. Rapid population growth in the region has brought the population to around 600 million in 2011, and population density is relatively low. Latin America is the second most important emerging area economically, after Southeast Asia, with a GDP about half of China's and three times that of India.⁷⁶

For our purposes here, while we acknowledge some regional cultural differences, we can draw upon the similarities of Latin American culture and business practices as a starting point in developing a helpful profile. Indeed, Latin America is relatively homogeneous culturally. Some of these generalities are discussed in the following paragraphs.

Using Hofstede's dimensions, we can generalize that most people are high on power distance and uncertainty avoidance, fairly high on masculinity, low on individualism, and they tend to have a comparatively short-term orientation toward planning.

Latin Americans are typically "being-oriented"—with a primary focus on relationships and enjoying life in the present—as compared with the "doing-oriented" German (and mostly Western) culture discussed earlier. For Latin Americans, work lives and private lives are much more closely integrated than that of Westerners, and so they emphasize enjoying life and have a more relaxed attitude toward work; because of that, Westerners often stereotype them as "lazy," rather than realizing that it is simply a different attitude to the role of work in life. Connected with that attitude is the tendency to be rather fatalistic—that is, a feeling that events will be determined by God—rather than a feeling of their own control or responsibility for the future.

Most people in those countries have a fluid orientation toward time and tend to be multi-focused, as discussed earlier in this chapter. Planning, negotiations, and scheduling take place in a more relaxed and loose time framework; those processes take second place to building a trusting relationship and reaching a satisfactory agreement.⁷⁷ Communication is based on their high-context culture (this concept is discussed further in Chapter 4). This means that communication tends to be indirect and implicit, based largely on non-verbal interactions and the expectation that the listener draws inference from understanding the people and the circumstances, without the need to be blunt or critical. Westerners need to take time, to be subtle and tactful, and to be incremental in discussing business to avoid being viewed as being pushy and so cutting off the relationship. Maintaining harmony and saving face is very important, as is the need to avoid embarrassing the other people involved. Managers must avoid any public criticism of employees and any reprimand should be by way of suggestion.

Communication is also very expressive and demonstrative; courtesy, formality, and good manners are respected and lead to very complimentary and hospitable expressions to guests. Latin Americans tend to stand closer and touch more often than most Westerners, exuding the warmth and hospitality that is typical in the region.

Hierarchy prevails in all areas of life, from family to institutions such as government and the workplace. Each level and relationship is expected to show deference, honor, and respect to the next person or level. Status is conveyed by one's position and title and the formality of dress and etiquette. Traditional managers have the respect of their position and are typically autocratic and paternal. Loyalty is to the superior as a person. Employees expect to be assigned tasks with little participation involved, although younger managers who have been educated in Europe or the United States are starting to delegate. However, while most Latin Americans can show some flexibility in structure, Chile is probably the most order-oriented country; managers there are very high on uncertainty and try hard to minimize risk and strictly adhere to social and business norms.⁷⁸

Relationships have priority whether among family, friends, or business contacts. Loyalty among family and friends leads to obligations, and often nepotism, which can lead to varying levels of quality in the work performance and less initiative than a Western business person might expect. Business is conducted through social contacts and referrals—that is, success does not depend as much on what you know as on who you know. Latin Americans do business with people with whom they develop a trusting relationship, so it behooves businesspeople, here as in much of the world, to take time to develop a friendly, trusting relationship before getting down to business.

Western managers need to develop a warm attitude toward employees and business contacts and cultivate a sense of family at work; they should communicate individually with employees and colleagues and develop a trusting relationship.

Further discussion about the Mexican culture in particular is in the Comparative Management in Focus section in Chapter 11.

CULTURE AND MANAGEMENT STYLES AROUND THE WORLD

As an international manager, once you have researched the culture of a country in which you may be going to work or in which you are going to do business, and after you have developed a cultural profile, it is useful then to apply that information to develop an understanding of the expected management styles and ways of doing business that predominate in that region or in that type of business setting. The nearby feature, *Under the Lens: Doing Business in Brazil—Language, Culture, Customs, and Etiquette*, illustrates the relationship between culture and management. Two further examples then follow: Saudi Arabia and Chinese Small Family Businesses.



UNDER THE LENS

Doing Business in Brazil—Language, Culture, Customs, and Etiquette

MAP 3.3 Brazil



Source: Olinchuk/Shutterstock

FIGURE 3-1 Brazilian Flag



Source: © CPJ Photography/Fotolia LLC

FIGURE 3-2 Rio De Janeiro

Source: Mark Schwettnann/Shutterstock

FACTS AND STATISTICS

Location: Eastern South America bordering Argentina, 1,224 km; Bolivia, 3,400 km; Colombia, 1,643 km; French Guiana, 673 km; Guyana, 1,119 km; Paraguay, 1,290 km; Peru, 1,560 km; Suriname, 597 km; Uruguay, 985 km; and Venezuela, 2,200 km

Capital: Brasilia

Climate: mostly tropical, but temperate in south

Population: 184,101,109

Ethnic Make-up: white (includes Portuguese, German, Italian, Spanish, and Polish) 55%; mixed white and black, 38%; black, 6%; other (includes Japanese, Arab, Amerindian), 1%

Religions: Roman Catholic (nominal) 80%

Government: federative republic

LANGUAGE IN BRAZIL

Language is one of the strongest elements of Brazil's national unity. Portuguese is spoken by nearly 100 percent of the population. The only exceptions are some members of Amerindian groups and pockets of immigrants, primarily from Japan and South Korea, who have not yet learned Portuguese. The principal families of Indian languages are Tupí, Arawak, Carib, and Gê.

There is about as much difference between the Portuguese spoken in Brazil and that spoken in Portugal as between the English spoken in the United States and that spoken in the United Kingdom. Within Brazil, there are no dialects of Portuguese, but only moderate regional variation in accent, vocabulary, and use of personal nouns, pronouns, and verb conjugations. Variations tend to diminish as a result of mass media, especially national television networks that are viewed by the majority of Brazilians.

BRAZILIAN SOCIETY AND CULTURE

Brazilian Diversity

- Brazil is a mixture of races and ethnicities, resulting in rich diversity.
- Many original Portuguese settlers married native women, which created a new race, called “mestizos.”
- “Mulattoes” are descendants of the Portuguese and African slaves.
- Slavery was abolished in 1888, creating over time a further blurring of racial lines.

(Continued)

- Unlike many other Latin American countries where there is a distinct Indian population, Brazilians have intermarried to the point that it sometimes seems that almost everyone has a combination of European, African, and indigenous ancestry.

BRAZILIAN FAMILY VALUES

- The family is the foundation of the social structure and forms the basis of stability for most people.
- Families tend to be large (although family size has been diminishing in recent years) and the extended family is quite close.
- The individual derives a social network and assistance in times of need from the family.
- Nepotism is considered a positive thing, since it implies that employing people one knows and trusts is of primary importance.

THE BRAZILIAN CLASS SYSTEM

- Despite the mixing of ethnicities, there is a class system in Brazil.
- Few Brazilians could be described as racist, although social discrimination on the basis of skin color is a daily occurrence.
- The middle and upper classes often have only brief interaction with the lower classes—usually maids, drivers, etc.
- Class is determined by economic status.
- There is a great disparity in wages—and therefore lifestyle and social aspirations—among the different classes
- Although women make up 40% of the Brazilian workforce, they are typically found in lower-paid jobs such as teaching, administrative support, and nursing.
- The 1988 constitution prohibits discrimination against women, but inequities still exist. The one place where women are achieving equality is in the government.

ETIQUETTE AND CUSTOMS IN BRAZIL

Meeting Etiquette

- Men shake hands when greeting one another, while maintaining steady eye contact.
- Women generally kiss each other, starting with the left and alternating cheeks.
- Hugging and backslapping are common greetings among Brazilian friends.
- If a woman wishes to shake hands with a man, she should extend her hand first.

Gift Giving Etiquette

- If invited to a Brazilian's house, bring the hostess flowers or a small gift.
- Orchids are considered a very nice gift, but avoid purple ones.
- Avoid giving anything purple or black as these are mourning colours.
- Handkerchiefs are also associated with funerals, so they do not make good gifts.
- Gifts are opened when received.

Dining Etiquette

If you are invited to a Brazilian's house:

- Arrive at least 30 minutes late if the invitation is for dinner.
- Arrive up to an hour late for a party or large gathering.
- Brazilians dress with a flair and judge others on their appearance. Casual dress is more formal than in many other countries. Always dress elegantly and err on the side of over-dressing rather than under-dressing.
- If you did not bring a gift to the hostess, flowers the next day are always appreciated.

BUSINESS ETIQUETTE AND PROTOCOL IN BRAZIL

Relationships and Communication

Brazilians need to know who they are doing business with before they can work effectively.

- Brazilians prefer face-to-face meetings to written communication as it allows them to know the person with whom they are doing business.

- The individual they deal with is more important than the company.
- Since this is a group culture, it is important that you do not do anything to embarrass a Brazilian.
- Criticizing an individual causes that person to lose face with the others in the meeting.
- The person making the criticism also loses face, as they have disobeyed the unwritten rule.
- Communication is often informal and does not rely on strict rules of protocol. Anyone who feels they have something to say will generally add their opinion.
- It is considered acceptable to interrupt someone who is speaking.
- Face-to-face, oral communication is preferred over written communication. At the same time, when it comes to business agreements, Brazilians insist on drawing up detailed legal contracts.

BUSINESS NEGOTIATIONS

- Expect questions about your company since Brazilians are more comfortable doing business with people and companies they know.
- Wait for your Brazilian colleagues to raise the business subject. Never rush the relationship-building time.
- Brazilians take time when negotiating. Do not rush them or appear impatient.
- Expect a great deal of time to be spent reviewing details.
- Often the people you negotiate with will not have decision-making authority.
- It is advisable to hire a translator if your Portuguese is not fluent.
- Use local lawyers and accountants for negotiations. Brazilians resent an outside legal presence.
- Brazilian business is hierarchical. Decisions are made by the highest-ranking person.
- Brazilians negotiate with people, not companies. Do not change your negotiating team or you may have to start over from the beginning.

BUSINESS MEETING ETIQUETTE

- Business appointments are required and can often be scheduled on short notice; however, it is best to make them 2 to 3 weeks in advance.
- Confirm the meeting in writing. It is not uncommon for appointments to be cancelled or changed at the last minute.
- In Sao Paulo and Brasilia it is important to arrive on time for meetings. In Rio de Janeiro and other cities it is acceptable to arrive a few minutes late for a meeting.
- Do not appear impatient if you are kept waiting. Brazilians see time as something outside their control and the demands of relationships takes precedence over adhering to a strict schedule.
- Meetings are generally rather informal.
- Expect to be interrupted while you are speaking or making a presentation.
- Avoid confrontations. Do not appear frustrated with your Brazilian colleagues.

DRESS ETIQUETTE

- Brazilians pride themselves on dressing well.
- Men should wear conservative, dark coloured business suits. Three-piece suits typically indicate that someone is an executive.
- Women should wear suits or dresses that are elegant and feminine with good quality accessories. Manicures are expected.

BUSINESS CARDS

- Business cards are exchanged during introductions with everyone at a meeting.
- It is advisable, although not required, to have the other side of your business card translated into Portuguese.
- Present your business card with the Portuguese side facing the recipient.

Source: <http://www.kwintessential.co.uk/resources/global-etiquette/brazil-country-profile.html>, September 5, 2011. Used with permission of www.kwintessential.co.uk.

Saudi Arabia

Understanding how business is conducted in the modern Middle East requires an understanding of the Arab culture, since the Arab peoples are the majority there and most of them are Muslim. As discussed in the opening profile, the Arab culture is intertwined with the pervasive influence of Islam. Even though not all Middle Easterners are Arab, Arab culture and management style predominate in the Arabian Gulf region. Shared culture, religion, and language underlie behavioral similarities throughout the Arab world. Islam permeates Saudi life—Allah is always present, controls everything, and is frequently referred to in conversation. Employees may spend more than two hours a day in prayer as part of the life pattern that intertwines work with religion, politics, and social life.

Arab history and culture are based on tribalism, with its norms of reciprocity of favors, support, obligation, and identity passed on to the family unit, which is the primary structural model. Family life is based on closer personal ties than in the West. Arabs value personal relationships, honor, and saving face for all concerned; these values take precedence over the work at hand or verbal accuracy. “Outsiders” must realize that establishing a trusting relationship and respect for Arab social norms has to precede any attempts at business discussions. Honor, pride, and dignity are at the core of “shame” societies, such as the Arabs. As such, shame and honor provide the basis for social control and motivation. Circumstances dictate what is right or wrong and what constitutes acceptable behavior.

Arabs avoid open admission of error at all costs because weakness (*muruwwa*) is a failure to be manly. It is sometimes difficult for Westerners to get at the truth, because of the Arab need to avoid showing weakness; instead, Arabs present a desired or idealized situation. Shame is also brought on someone who declines to fulfill a request or a favor; therefore, a business arrangement is left open if something has yet to be completed.

The communication style of Middle Eastern societies is high context (that is, implicit and indirect), and their use of time is polychronic: Many activities can be taking place at the same time, with constant interruptions commonplace. The imposition of deadlines is considered rude, and business schedules take a backseat to the perspective that events will occur “sometime” when Allah wills (*bukra insha Allah*). Arabs give primary importance to hospitality; they are cordial to business associates and lavish in their entertainment, constantly offering strong black coffee (which you should not refuse) and banquets before considering business transactions. Westerners must realize the importance of personal contacts and networking, socializing and building close relationships and trust, practicing patience regarding schedules, and doing business in person. Exhibit 3-7 gives some selected actions and nonverbal behaviors that may offend Arabs. The relationship between cultural values and norms in Saudi Arabia and managerial behaviors is illustrated in Exhibit 3-8.

Chinese Family Small Businesses

The predominance of small businesses in China and the region highlights the need for managers from around the world to gain an understanding of how such businesses operate. Many small businesses—most of which are family or extended-family businesses—become part of the value chain (suppliers, buyers, retailers, etc.) within industries in which “foreign” firms may compete.

EXHIBIT 3-7 Behavior That Will Likely Cause Offense in Saudi Arabia

- Introducing business subjects too soon.
- Commenting on a man’s wife or female children over 12 years of age.
- Raising colloquial questions that may be considered as an invasion of privacy.
- Using disparaging or swear words and off-color or obscene attempts at humor.
- Talking about religion, politics, or Israel.
- Bringing gifts of alcohol or using alcohol, which is prohibited in Saudi Arabia.
- Requesting favors from those in authority or esteem, for it is considered impolite for Arabs to say no.
- Pointing your finger at someone or showing the soles of your feet when seated.

Source: Based on excerpts from P. R. Harris and R. T. Moran, *Managing Cultural Differences*, 5th ed. (Houston: Gulf Publishing, 2000).

EXHIBIT 3-8 The Relationship between Culture and Managerial Behaviors in Saudi Arabia

Cultural Values	Managerial Behaviors
Tribal and family loyalty	Work group loyalty Paternal sociability Careful selection of employees Nepotism
Arabic language	Business as an intellectual activity Access to employees and peers Management by walking around Conversation as recreation
Close and warm friendships	People orientation Theory Y management Avoidance of judgment
Islam	Sensitivity to Islamic virtues Observance of the Qur'an and Sharia Work as personal or spiritual growth Adherence to norms
Honor and shame	Conflict avoidance Positive reinforcement Private correction of mistakes Avoidance of competition Responsibility
Polychronic use of time	Right- and left-brain facility Action oriented Patience and flexibility
Male domination	Separation of sexes Open work life; closed family life

Source: Based on excerpts from P. R. Harris and R. T. Moran, *Managing Cultural Differences*, 5th ed. (Houston: Gulf Publishing, 2000).

Some specifics of Chinese management style and practices in particular are presented here as they apply to small businesses. (Further discussion of the Chinese culture continues in Chapter 5 in the context of negotiation.) It is important to note that no matter the size of a Chinese company, but especially in small businesses, it is the all-pervasive presence and use of *guanxi* that provides the little red engine of business transactions in China. *Guanxi* means “connections”—the network of relationships the Chinese cultivate through friendship and affection; it entails the exchange of favors and gifts to provide an obligation to reciprocate favors. Those who share a *guanxi* network share an unwritten code.⁷⁹ The philosophy and structure of Chinese businesses comprise paternalism, mutual obligation, responsibility, hierarchy, familialism, personalism, and connections. Autocratic leadership is the norm, with the owner using his or her power—but with a caring about other people that may predominate over efficiency.

According to Lee, the major differences between Chinese management styles and those of their Western counterparts are human-centeredness, family-centeredness, centralization of power, and small size.⁸⁰ Their human-centered management style puts people ahead of a business relationship and focuses on friendship, loyalty, and trustworthiness.⁸¹ The family is extremely important in Chinese culture, and any small business tends to be run like a family.

Globalization has resulted in the ethnic Chinese businesses (in China or other Asian countries) adapting to more competitive management styles. They are moving away from the traditional centralized power structure in Chinese organizations that comprised the boss and a few family members at the top and the employees at the bottom, with no ranking among the workers. In fact, many Chinese businesses are no longer managed by family members. Frequently, the managers are those sons and daughters who have studied and worked overseas before returning to the family company; or even foreign expatriates. Examples of Chinese capitalism responding

to change and working to globalize through growth are Eu Yan Sang Holdings Ltd., the Hiap Moh Printing businesses, and the Pacific International Line.⁸²

As Chinese firms in many modern regions in the Pacific Rim seek to modernize and compete locally and globally, a tug of war has begun between the old and the new: the traditional Chinese management practices and the increasingly “imported” Western management styles. As discussed by Lee, this struggle is encapsulated in the different management perspectives of the old and young generations. A two-generational study of Chinese managers by Ralston et al. also found generational shifts in work values in China. They concluded that the new generation manager is more individualistic, more independent, and takes more risks in the pursuit of profits. However, they also found the new generation holding on to their Confucian values, concluding that the new generation may be viewed as “crossverging their Eastern and Western influences, while on the road of modernization.”⁸³

CONCLUSION

This chapter has explored various cultural values and how managers can be prepared to understand them with the help of some general cultural profiles. The following chapters focus on application of this cultural knowledge to management in an international environment (or, alternatively in a domestic multicultural environment)—especially as relevant to cross-cultural communication (Chapter 4), negotiation and decision making (Chapter 5), and motivating and leading (Chapter 11). Culture and communication are essentially synonymous. What happens when people from different cultures communicate, and how can international managers understand the underlying process and adapt their styles and expectations accordingly? For the answers, read the next chapter.

Summary of Key Points

1. The culture of a society comprises the shared values, understandings, assumptions, and goals that are passed down through generations and imposed by members of the society. These unique sets of cultural and national differences strongly influence the attitudes and expectations—and therefore the on-the-job behavior—of individuals and groups.
2. Managers must develop cultural sensitivity to anticipate and accommodate behavioral differences in various societies. As part of that sensitivity, they must avoid parochialism—an attitude that assumes one’s own management techniques are best in any situation or location and that other people should follow one’s patterns of behavior.
3. From his research in 50 countries, Hofstede proposed four underlying value dimensions that help to identify and describe the cultural profile of a country and affect organizational processes: power distance, uncertainty avoidance, individualism, and masculinity. In his later research, Hofstede explored the concept of long-term versus short-term orientation to explain the cultural variation of the types of decisions people make.
4. Through his research, Fons Trompenaars confirmed some similar dimensions, and also found other unique dimensions: obligation, emotional orientation, privacy, and source of power and status.
5. The GLOBE project team of 170 researchers in 62 countries concluded the presence of a number of other dimensions, and ranked countries on those dimensions, including assertiveness, performance orientation, future orientation, and humane orientation. Gupta et al. from that team found geographical clusters on nine of the GLOBE project cultural dimensions.
6. On-the-job conflicts in international management frequently arise out of conflicting values and orientations regarding time, change, material factors, and individualism.
7. Managers can use research results and personal observations to develop a character sketch, or cultural profile, of a country. This profile can help managers anticipate how to motivate people and coordinate work processes in a particular international context.

Discussion Questions

1. What is meant by the culture of a society, and why is it important that international managers understand it? Do you notice cultural differences among your classmates? How do those differences affect the class environment? How do they affect your group projects?
2. Describe the four dimensions of culture proposed by Hofstede. What are the managerial implications of these dimensions? Compare the findings with those of Trompenaars and the GLOBE project team.

3. Discuss the types of operational conflicts that could occur in an international context because of different attitudes toward time, change, material factors, and individualism. Give examples relative to specific countries.
4. Discuss how the Internet and culture interact. Which most affects the other, and how? Give some examples.
5. Discuss collectivism as it applies to the Japanese workplace. What managerial functions does it affect?
6. Discuss the role of Islam in cross-cultural relations and business operations.

Application Exercises

1. Develop a cultural profile for one of the countries in the following list. Form small groups of students and compare your findings in class with those of another group preparing a profile for another country. Be sure to compare specific findings regarding religion, kinship, recreation, and other subsystems. What are the prevailing attitudes toward time, change, material factors, and individualism?
Any African country
People's Republic of China
Mexico
France
India
2. In small groups of students, research Hofstede's findings regarding the four dimensions of power distance, uncertainty avoidance, masculinity, and individualism for one of the following countries in comparison to the United States. (Your instructor can assign the countries to avoid duplication.) Present your findings to the class. Assume you are a U.S. manager of a subsidiary in the foreign country and explain how differences on these dimensions are likely to affect your management tasks. What suggestions do you have for dealing with these differences in the workplace?
Brazil
Italy
People's Republic of China
Russia

Experiential Exercises

1. A large Baltimore manufacturer of cabinet hardware had been working for months to locate a suitable distributor for its products in Europe. Finally invited to present a demonstration to a reputable distributing company in Frankfurt, it sent one of its most promising young executives, Fred Wagner, to make the presentation. Fred not only spoke fluent German but also felt a special interest in this assignment because his paternal grandparents had immigrated to the United States from the Frankfurt area during the 1920s. When Fred arrived at the conference room where he would be making his presentation, he shook hands firmly, greeted everyone with a friendly *guten tag*, and even remembered to bow the head slightly as is the German custom. Fred, an effective speaker and past president of the Baltimore Toastmasters Club, prefaced his presentation with a few humorous anecdotes to set a relaxed and receptive atmosphere. However, he felt that his presentation was not well received by the company executives. In fact, his instincts were correct, for the German company chose not to distribute Fred's hardware products.
What went wrong?
2. Bill Nugent, an international real estate developer from Dallas, had made a 2:30 P.M. appointment with Mr. Abdullah, a high-ranking government official in Riyadh, Saudi Arabia. From the beginning things did not go well for Bill. First, he was kept waiting until nearly 3:45 P.M. before he was ushered into Mr. Abdullah's office. When he finally did get in, several other men were also in the room. Even though Bill felt that he wanted to get down to business with Mr. Abdullah, he was reluctant to get too specific because he considered much of what they needed to discuss sensitive and private. To add to Bill's sense of frustration, Mr. Abdullah seemed more interested in engaging in meaningless small talk than in dealing with the substantive issues concerning their business.
How might you help Bill deal with his frustration?
3. Tom Forrest, an up-and-coming executive for a U.S. electronics company, was sent to Japan to work out the details of a joint venture with a Japanese electronics firm. During the first several weeks, Tom felt that the negotiations were proceeding better than he had expected. He found that he had very cordial working relationships with the team of Japanese executives, and in fact, they had agreed on the major policies and strategies governing the new joint venture. During the third week of negotiations, Tom was present at a meeting held to review their progress. The meeting was chaired by the president of the Japanese firm, Mr. Hayakawa, a man in his mid-forties, who had recently taken over the presidency from his 82-year-old grandfather. The new president, who had been involved in most of the negotiations during the preceding weeks, seemed to Tom to be one of the strongest advocates of the plan that had been developed to date. Hayakawa's grandfather, the recently retired president, also was present at the meeting. After the plans had been discussed in some detail, the octogenarian past president proceeded to give a long soliloquy about how some of the features of this plan violated the traditional practices on which the company had been founded. Much to Tom's amazement, Mr. Hayakawa did nothing to explain or defend the policies and strategies that they had taken weeks to develop. Feeling extremely frustrated, Tom then gave a fairly strong argued defense of the plan. To Tom's further amazement, no one else in the meeting spoke up in defense of the plan. The tension in the air was quite heavy, and the meeting adjourned shortly thereafter. Within days the Japanese firm completely terminated the negotiations on the joint venture.
How could you help Tom better understand this bewildering situation?

Source: Gary P. Ferraro, *The Cultural Dimensions of International Business*, 2nd ed. (Upper Saddle River, NJ: Prentice Hall, 1994).

Internet Resources

Visit the Deresky Companion Website at www.pearsonhighered.com/deresky for this chapter's Internet resources.

CASE STUDY

Australia and New Zealand: Doing Business with Indonesia

There are thousands of Australians, both individually and as members of organizations, who share trade and education with Indonesia as do New Zealanders. Yet, though geographically part of Asia, citizens of Australia and New Zealand are members of cultures very different from any other in Asia.

As increasingly they seek to trade in Asia, so also do they need to learn to manage such differences; and doing business in Indonesia is a good example. Travelling time by air from Perth, Western Australia, to Indonesia is slightly less than four hours, yet the cultural distance is immeasurable.

In January 2007, the Jakarta Post reported GDP growth had risen to over 5%. Consumer consumption drives the economy but exports are thriving, and therein lay opportunities for Australia and New Zealand.

Indonesia is a country of more than 17,000 islands and the world's largest Muslim nation. In her lecture, Dr. Joan Hardjono of Monash University discussed the historical and geographic contexts of modern Indonesia. She spoke of the many clusters of islands worldwide that have come together as nation states—for example, the Philippines and some island groups in the Pacific—but described the Indonesian archipelago as in a class of its own.

It is unique in terms of extent and diversity. For example, Java and Bali have fertile volcanic soils, while elsewhere the land is rich in mineral resources such as oil, natural gas, and coal. Climatic conditions vary from island to island. Some regions experience annual heavy rains and floods, while others suffer regularly from droughts that often lead to famines.

With a population of more than 230 million people, Indonesia is the fourth most populous country in the world, but there is a great imbalance in population distribution within the archipelago. Settlement has always been greatest on the island of Java, and today about 60% of the Indonesian population lives there.

National ties are strong, as revealed by the great response from within Indonesia to the recent natural disasters in Aceh and Nias. Unfortunately, there are still very obvious socio-economic disparities in all regions of the country. At the top of the social structure are wealthy elites, below them an increasingly demanding middle class, and at the bottom an impoverished majority.

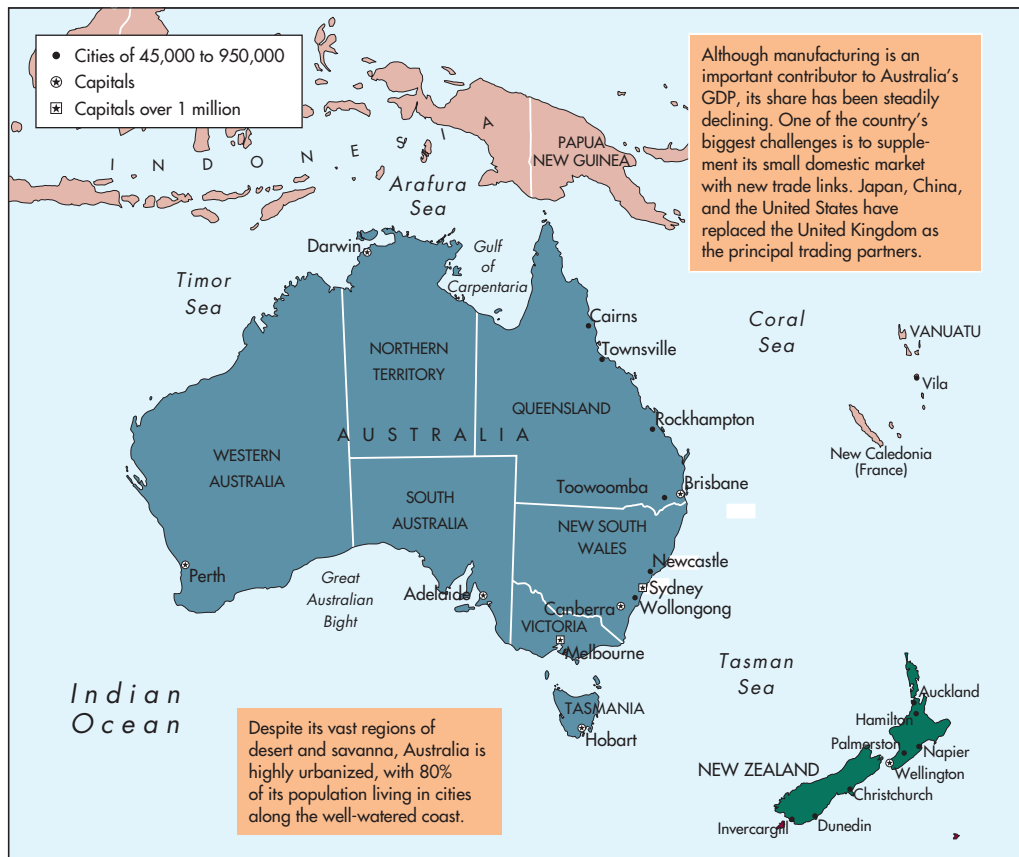
As Indonesia has become more integrated with ASEAN, North Asian trading partners have become more important: but well-to-do Indonesians now travel the world. Globalization has been the buzzword of international business for many years. International markets have split up into unified trade zones; individual marketplaces, particularly in the developing countries, are exposed to transnational pressures.

Some Asian countries are pulling back from perceived threats of international contagion, but Indonesia continues to open up its markets to world enterprise. However, Australians and New Zealanders cannot expect to do business with Indonesians just because they are neighbors. They have to learn the moves.

Business opportunities in Indonesia include agribusiness; the automotive industry; business and financial services; construction and infrastructure; information and communication technology; e-commerce; education and training; environmental products and services; food and beverages; fresh produce; health and medical provisions; mining and mineral services; oil and petroleum drilling, transport and storage; and science and technology.

Taking advantage of these opportunities requires skillful negotiation. One of the biggest challenges of working in a foreign country is learning how to operate in a different cultural setting. International managers tell endless stories of cross-cultural breakdowns, missed appointments, problems over differences in management style, lost orders or down time on production

MAP 3.4 Australia and New Zealand



lines, labor problems between foreign management and local staff, and many other examples of miscommunication. Many could have been avoided or at least mitigated had the expatriate managers and their local counterparts been better prepared for differences in work patterns.

Some cross-cultural behavior, such as patience and courtesy, is no more than good manners. It applies to all interpersonal communication; but in Indonesia, as in the rest of Asia, there is more need to develop a long-term relationship to produce a profit than there is in Australia or New Zealand. Relationships rely on shared expectations—for example, about how first contacts should be made, how appointments should be set and kept, how deals should be closed, how time should be managed (including the Indonesian concept of “jam karet,” or “rubber time,” that infuriates punctuality-conscious Westerners).

Sensible but inexperienced international managers seek information that more seasoned veterans can provide. They might be colleagues, business associates, friends, or paid consultants, but in any case most people are eager to give advice. On the other hand, even managers with a highly developed global outlook may have too generalist a viewpoint on international business. They may overlook the need for a local perspective in each host country.

Indonesia is one of those countries in which a foreign manager's home office priorities of task over relationship, of corporate rather than human priorities, may not be the most effective ways to achieve productivity and effectiveness. Indonesian managers usually place more value on harmony, understanding, and mutual respect. It may be sometimes that this emphasis outweighs the importance of job performance and productivity.

On the one hand, there are a number of concerns for Indonesian managers working with their Western counterparts. For example, they believe Westerners should make an effort to adjust to the culture, taboos, and language of their Indonesian colleagues. Foreign managers should avoid bad language that might set a bad example for the workers. They should give instructions slowly and clearly in Standard English and should ask for a paraphrase to ensure understanding.

They should be willing to consider individual cases and cultural needs (e.g., prayer times or other religious obligations, time off for cemetery visits before Ramadan, weddings, funerals, etc.).

On the other hand, Indonesian managers should be willing to make many adjustments to working in an international company. Important areas where Western management techniques are most successful include strategic planning and timetable deadlines, efficiency and punctuality, handling conflict, and taking responsibility.

Sensitivity to the needs of employees is a management area that is seldom stressed in most Western business cultures where efficiency, productivity, and effectiveness take priority. For example, when somebody loses their self-control through anger, distress, or confusion, Javanese will usually advise the need to “*eling*” (in translation, not to allow oneself to be overwhelmed by feelings and mixed-up thoughts but to regain self-control). Self-control is of high value to Javanese, maybe of the highest. This value is not unique to Indonesia. It is shared by the indigenous peoples of South Asia, the Himalayan Range and Central Asia, East Asia, Southeast Asia, and Africa; Oceania, the Caribbean, and South America; and Northern America and the Arctic: hence a common cultural emphasis on the art of making and wearing masks to represent hidden emotions. Regardless of the cultures they come from, masks convey the essential emotions.¹

Thus situations can arise in business contexts where hiding true feelings and keeping up appearances may take precedence over solving a problem.

Maintaining the harmony of the office by giving the outward appearance that there is nothing wrong is a fairly common situation in traditional Indonesian offices. Bad news may not be communicated to the boss and situations that seem insurmountable to an employee may simply be ignored.² Since this behavior is not generally accepted to be part of Western culture—though certainly it exists there—Western managers need to spend more time observing and listening to their Indonesian employees than they would back home.

Another reason why such attentiveness is important is that Indonesian business relationships are paternal or maternal. Workers expect their supervisors to look after their interests rather as parents do for their children; and their supervisors understand and accept this responsibility. Furthermore, the tension involved in being the bearer of bad news to one's boss is felt very keenly by Indonesian employees, and this needs to be taken into account by supervisors and managers. The English language injunction is “Don't shoot the messenger,” but some Indonesian workers seem to expect a firing squad when they have to report failure. Therefore, Western managers should make clear that they want and expect subordinates to come to them with questions or problems and that the response will be non-judgmental and self-controlled. Faces should be without masks; they should not portray negative emotions of anger, confrontation, or aggression. Managers in Indonesia are expected to always be polite and to keep smiling, no matter how angry they may be inside.

Nevertheless, cross-cultural sensitivity works—or should work—both ways. Foreign managers should understand Indonesian culture and business customs, and Indonesian managers should be given clearly to understand what foreign managers will expect from them.

Case Questions

1. Using this case and the cultural dimensions explored in this chapter, discuss some of the ways in which citizens of Australia and New Zealand are members of cultures very different from any other in Asia.
2. In what respects is the Indonesian archipelago unique in Asia?
3. What characteristics of Indonesian workplaces are referred to in this profile?
4. How does the population appear to be socially stratified?
5. What are some business opportunities in Indonesia for foreign direct investment?

1. *Rupa-Pratirupa, Man & Mask*, February 20–April 12, 1998, Matighar, Indira Gandhi National Centre for the Arts, <http://ignca.nic.in/>

2. George B. Whitfield, 2006, Executive Orientation Services of Jakarta (EOS).

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Source: Adapted from Helen Deresky and Elizabeth Christopher, “Australia and New Zealand as Part of Asia: Doing Business with Indonesia,” *International Management: Managing across Borders and Cultures*, Pearson Education Australia, 2008. Used with permission.
