company selling its products or servi... in addition to culture. ... business aspects of the external environment in addition to culture... market, competition, technology, economy, and the legal and political climate. This chapter will discuss the cultural dimension of companies' international environment.

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Defining Culture and its Characteristics

LO-1
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Culture is a concept that can be challenging to define. Perhaps one reason is that there are so many and different components of culture, such as manners, power, face saving, names and titles, language, religion, gift giving, and risk taking. Culture involves how a group of people behave, what the people value and appreciate, what the people believe is right and fair, and many other aspects of life. Perhaps the best definition of **culture** is "learned behavior; a way of life for one group of people living in a single, related, and independent community."[1]

There are four characteristics of culture which are important for global companies to recognize. First, culture is not inherited; rather it is learned, usually through one's parents, friends, schools, and other influences. Second, it is nearly impossible to change an entire country's culture; culture is relatively static and not easily modified—especially by external forces. Third, it is the responsibility of the global firm to ascertain the level of importance of various aspects of culture in the foreign markets it serves, and recognize these aspects when doing business overseas. For example, Mexican business executives who buy business-to-business products from U.S. suppliers indicate that "knowledge of Mexico's business climate and conditions" and "enthusiasm" were the most important cultural variables determining from which supplier they purchased.[2] Fourth, companies' operations, chiefly marketing and management, need to recognize and adjust to the cultural environment existing in the countries the global company serves. The ability to do so often means success in international markets. **Acculturation** is the term used to describe the ability of a firm to adjust to a culture different from its own.

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REALITY CHECK LO-1

Think of some foreign products that are marketed in the United States Have the foreign manufacturers used marketing that is sensitive to U.S. culture? Provide some specific examples.

Elements of Culture

LO-2
veral elements of

As shown in Exhibit 5.1, culture affects numerous aspects of a society. These include, language, religion, values and attitudes, manners and customs, material elements, aesthetics, education, and social institutions.[3] The following text will now examine these individually.

Language

Verbal and non-verbal communication are the two primary types of language. **Verbal communication** refers to the message's actual content (what it says), whereas **non-verbal communication** involves tone of voice as well as the gestures, body position, facial expressions, eye contact, and any other body language that accompanies verbal communication.

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Introduction

culture
learned behavior; a way of life for one group of people living in a single, related, and independent community

Cultural understanding plays a major role in global business success. It is true that a company selling its products or services in foreign countries must contend with various aspects of the external environment in addition to culture. These include the business market, competition, technology, economy, and the legal and political climate. This chapter will discuss the cultural dimension of companies' international environment.

LO-1
Define culture and identify the four characteristics of culture that companies doing business abroad need to recognize.

Defining Culture and its Characteristics

Culture is a concept that can be challenging to define. Perhaps one reason is that there are so many and different components of culture, such as manners, power, face saving, names and titles, language, religion, gift giving, and risk taking. Culture involves how a group of people behave, what the people value and appreciate, what the people believe is right and fair, and many other aspects of life. Perhaps the best definition of **culture** is "learned behavior; a way of life for one group of people living in a single, related, and independent community."[1]

There are four characteristics of culture which are important for global companies to recognize. First, culture is not inherited; rather it is learned, usually through one's parents, friends, schools, and other influences. Second, it is nearly impossible to change an entire country's culture; culture is relatively static and not easily modified—especially by external forces. Third, it is the responsibility of the global firm to ascertain the level of importance of various aspects of culture in the foreign markets it serves, and recognize these aspects when doing business overseas. For example, Mexican business executives who buy business-to-business products from U.S. suppliers indicate that "knowledge of Mexico's business climate and conditions" and "enthusiasm" were the most important cultural variables determining from which supplier they purchased.[2] Fourth, companies' operations, chiefly marketing and management, need to recognize and adjust to the cultural environment existing in the countries the global company serves. The ability to do so often means success in international markets. **Acculturation** is the term used to describe the ability of a firm to adjust to a culture different from its own.

acculturation
the ability of a firm to adjust to a culture different from its own

> **REALITY CHECK LO-1**
>
> *Think of some foreign products that are marketed in the United States Have the foreign manufacturers used marketing that is sensitive to U.S. culture? Provide some specific examples.*

LO-2
Name several elements of culture.

Elements of Culture

As shown in Exhibit 5.1, culture affects numerous aspects of a society. These include, language, religion, values and attitudes, manners and customs, material elements, aesthetics, education, and social institutions.[3] The following text will now examine these individually.

Language

verbal communication
a message's actual contents (i.e. what the message says)

Verbal and non-verbal communication are the two primary types of language. **Verbal communication** refers to the message's actual content (what it says), whereas **non-verbal communication** involves tone of voice as well as the gestures, body position, facial expressions, eye contact, and any other body language that accompanies verbal communication.

Language is important to managers when evaluating employees, communicating on an intra-company basis with overseas divisions, and helping to interpret the circumstances (context) in which language occurs.

Language is also crucial when providing access to local markets through advertising. There are numerous examples of how language mistakes have cost marketers in international markets. Several mistakes have occurred, for example, because companies did not understand how slogans for products would be interpreted. In Taiwan, the Pepsi slogan: "come alive with the Pepsi generation," was translated to "Pepsi will bring your ancestors back from the dead." The Kentucky Fried Chicken slogan: "finger-lickin' good," was translated in China as "eat your fingers off." Salem cigarettes' slogan: "Salem—feeling free," translated into Japanese as "When smoking Salem, you feel so refreshed that your mind seems to be free and empty." Exhibit 5.1 provides another example of mishaps that can occur when a company is unfamiliar with the local language.

One way to eliminate such gaffes is to use **backward translation**. In this technique, a message is translated from English into another language, then someone skilled in that foreign language translates it back into English; this second translation can then be compared to the original English version.

non-verbal communication
tone of voice, gestures, eye contact, body positions, facial grimaces, and other body language that accompanies verbal communication

Religion

Religion is a powerful cultural aspect that must be recognized as companies manage their overseas operations and market their products in foreign cultures. In Muslim countries, for example, American companies cannot anticipate employing women because they are not encouraged to work outside the home. Also, different religions observe different holidays, which must be recognized. Muslims observe Ramadan, which is a month-long celebration

backward translation
translating a message from English into a foreign language, then translating it back into English to check for accuracy

EXHIBIT 5.1 THE IMPORTANCE OF LANGUAGE IN FOREIGN COUNTRIES' CULTURES

"Chuck" had been sent by the president of Parker Pen Company to visit the firm's trading company in Buenos Aires, Argentina. This was the first time he had been outside the United States, and he did not know how to speak Spanish.

Upon arriving after a 14-hour flight from Chicago, Chuck went to a bank of telephones to call the trading company and arrange for transportation. Because he could not read the instructions for use, he prevailed upon a good-natured passerby for help. Then, he had to figure out the Argentinean money system to decide which coins to insert. While talking with the trading company, he was asked to take a taxi to the office as they were tied up with important customers.

Upon finding the taxi pickup area, Chuck was dismayed to find that all of the licensed taxi drivers were on strike; he was hoping that the "regular" drivers would know enough English to compensate for his lack of Spanish skills. After an extended length of time, he was able to convey to the driver where he needed to go.

After an hour of working with the people at the trading company, he was invited to accompany them to lunch. Because the menu was in Spanish, he was in a quandary about what to order. He thought that the word "bistec" might mean beef steak, so he ordered it. He was right. The waiter proudly presented Chuck with a two-pound steak. Chuck found out later that Argentina is justifiably proud of its world famous, Pampas beef cattle.

Chuck and his colleagues worked another four hours at the headquarters of the trading company. About six o'clock, he was invited to accompany a group of customers to dinner. Although it was a different restaurant, it was the same problem: The entire menu was in Spanish. Fortunately, or unfortunately, there was one item that Chuck could read: "bistec." Chuck ate his second 32 ounces of prized Argentinean steak.

Around eleven o'clock, Chuck had returned to his hotel where he was greeted in the lobby by Parker Pen's president who said: "Chuck, I just arrived. The food on the flight was terrible. Let's go get something to eat." Chuck ate his third two-pound steak with his boss.

Herbert Scholpp/Westend61 GmbH / Alamy

Religious celebrations are very important in Mexico.

with varying dates year to year. Jews observe a number of annual holidays, including Purim, Passover, Shavuot, the Day of Atonement, and Hanukkah; these dates also vary from year to year.

Weekends and work hours can vary according to different religions. In Kuwait, weekends are Thursday and Friday, not Saturday and Sunday as they are in most Western nations. When one author of this text was in Kuwait, he was intrigued that the workday was divided into two segments: 8:00 a.m. to noon, and 4:00 p.m. to 8:00 p.m. When questioned about this, one of his hosts replied that this arrangement was made so that there could be "four traffic jams a day instead of two" in Kuwait City. (The author assumed the real reason was to avoid work during the hottest part of the day.)

Companies marketing food products overseas must be aware of religious differences. Jews and Muslims are prohibited from eating pork, and their food must be prepared in a particular way, kosher for Jews and halal for Muslims.

Values and Attitudes

Values are basic beliefs or philosophies that are pervasive in a society. In some countries, such as the United States, a high value is placed upon foreigners and foreign items, as they are associated with sophistication—French wines, for example, or Swedish automobiles. In other countries, such as Japan and Korea, there is a subtle resistance to foreigners and things foreign. This is reflected in an aversion to purchasing foreign products and their resistance to accepting employment with foreign firms operating in these countries.

Attitudes are feelings or opinions. Attitudes toward change must be considered by international businesses. In many societies, proposed change is viewed with suspicion—especially if it is suggested by foreigners.

values
basic beliefs or philosophies that are pervasive in a society

attitudes
Feelings or opinions

Manners and Customs

International companies must understand the **manners and customs**, the way a society does things that prevail in foreign countries. Manners and customs affect both the management and marketing operations of a company.

manners and customs
the way a society does things

ECONOMIC PERSPECTIVES Attitudes Toward Work

A country's culture affects the attitudes toward work that members of its labor force hold. These attitudes can have an impact on workers from other cultures who come into the country to work, as well as on employers in the country, and are often legally sanctioned by government. The resulting policies regarding hours, pay, and vacations will influence various aspects of a nation's economic performance, such as total hours worked, GDP achieved, costs per worker-hour, and productivity.

In France, a newly hired worker, even one without a higher education degree, expects to have a protracted tenure with his or her employer, to not work excessive hours per week, to be paid a high hourly rate, to receive generous fringe benefits, and to receive long vacations annually. Concessions such as these were encouraged and often legally guaranteed by the French government; as a result, they had to be accepted by French companies. When the government raised the retirement age in 2010 from 60 to 62, riots and strikes ensued.

A similar attitude toward work was noted in Greece in 2010. Government workers were compensated at unsustainable levels, and as a result, the nation had incurred massive debts and deficits. When the Greek government announced austerity measures, these workers violently demonstrated. The International Monetary Fund and other EU nations contributed billions of dollars to rescue the Greek economy.

In Arab countries, business executives will often digress from the primary purpose of the meeting, then eventually return to the topic initially discussed. Mexican business executives will want to gauge the interest of American salespeople in Mexican history and architecture. Russian negotiators tend to be abrupt and change demands at the last minute. They may also ply foreigners with vodka, as one author of this text discovered when meeting with the general director of one of St. Petersburg's largest department stores. Japanese negotiators will frequently engage in long periods of silence, or may have peripheral discussions among one another while ignoring foreign business people in the room.

Campbell's Soup failed in Brazil because the company did not realize that Brazilian housewives customarily add their own ingredients to a basic stock, rather than buying a fully-prepared soup. Knorr, on the other hand, was successful in this large market because it only sold basic soup stocks. In some countries, doughnuts are viewed as a snack item that can be consumed throughout the day, instead of only at breakfast, as is customary in the United States. In China, consumers drink soup, which usually contains rice, and do not use a spoon—customs not recognized when a direct-selling firm was entertaining important Chinese politicians and lawmakers in the United States, and soup was served with a spoon and without rice. In Japan, soup is typically consumed at breakfast.

Gift-giving is one aspect that describes manners and customs. In general, small gifts are appropriate, whereas large gifts may be viewed as a bribe, which contravenes international law. In Muslim countries, for example, it would be inappropriate to bring a gift for another man's wife. Types of wrapping paper, ribbons, and colors are other elements of gift giving that are important, as is knowing when to give a gift.

Material Elements

Material culture in a society is often a direct result of technology. It is perhaps best demonstrated by a country's infrastructures; that is, the basic economic, social, financial, and marketing frameworks that enable the society to function. Economic infrastructure involves transportation, energy, and communications. Social infrastructure refers to housing, medical services, and educational institutions. Financial infrastructure consists primarily of banks, and marketing infrastructure refers to marketing research and advertising firms.

material culture
a direct result of technology; best demonstrated by economic, social, financial, and marketing infrastructures

Without the availability of these forms of infrastructure, international businesses will not be able to obtain funds to finance their operations, transport their products to market, or draw upon the expertise of local marketing research and advertising firms.

In Africa, and some parts of Asia, there is a growing movement toward "leapfrog" technology—technological advances that bypass intermediate stages industrialized nations experience. For example, people who have always written with a pencil on paper, and never had access to a typewriter, are now leapfrogging over typewriter technology to use a laptop computer.

Aesthetics

Color, form and music are the major components of **aesthetics** (i.e. taste and beauty as perceived by a society).

Color is an important packaging variable. Companies plying international markets must carefully choose colors, as colors often represent different things in different countries. For example, black in the United States indicates mourning, but in Japan white is the color of mourning. Green is an acceptable color in Muslim countries; all flags of those countries contain green. Korean aesthetics tend to emphasize dark shades of color, while pastels are popular in many Western countries. Opera and symphonic music tend to be more revered in European countries, such as Italy and France, than they are in the United States.

Education

The level of education held by people in foreign countries is a major factor in explaining economic growth. Education must be considered when expatriate managers hire host-country personnel to work on complicated production machinery, place them in training programs, staff office positions, and so on. The level of education must be such that high-tech products can be accepted because the market knows how to use them. The content of advertisements must recognize a nation's level of education.

Some countries emphasize different educational specialties. South Korea and Japan stress education in the sciences and engineering. Russia is strong in mathematics and computer programming; India emphasizes engineering and software development.

France, Japan and India, and to some extent, Great Britain, have a tiered system of higher education, which features prestigious colleges and universities. Foreign companies operating in these nations may be tempted to recruit only from these universities but should, instead, hire the best-qualified individuals regardless of academic pedigree.

Social Institutions

Social institutions refer to the way people relate to one another within group settings in a society. Families, churches, work places, and friends are primary examples. Sociologists refer to groups that are important to individuals as **reference groups**. Reference groups can be those of which people are already a member, or those to which people aspire to belong.

Some counties have a high level of **social stratification**, meaning that groups at the top of the social pyramid exert a great deal of control over others at lower levels of the pyramid. India is usually cited as having a high degree of social stratification, whereas the Scandinavian countries are considered to be very egalitarian or "middle class."

aesthetics
what is perceived as taste and beauty in a society

social institutions
the way people in a society relate to one another within group settings

reference groups
groups that are important to individuals

social stratification
the extent to which groups at the top of the social pyramid exert control over others at lower levels of the pyramid

REALITY CHECK LO-2

Indicate what reference groups are most important to you. How important are these reference groups when conducting business in foreign countries? Why?

Clustering Countries and Regions by Culture

LO-3
Name and distinguish among the cultural dimensions proposed by Hofstede and Trompenaars.

There have been several attempts to group countries and regions of the world together according to their cultural dimensions and similarities. The purpose is to provide international managers with cultural clusters that would allow for similar marketing and management strategies.

Hofstede's Research

Dutch researcher Geert Hofstede pioneered research into cultures with a study focusing upon IBM employees in 64 countries; this research was later extended to many more countries and other groups of subjects. Hofstede's findings led him to identify clusters of countries and regions according to five cultural levels, or dimensions.[4]

Individualism vs. collectivism involves the worth of the individual versus the worth of the groups of which that person is a member ("me versus the group"). Japan and Mexico, for example, are societies that are highly collectivistic, or group oriented, whereas the United States and Great Britain are highly individualistic.

Power distance refers to egalitarianism (equality) versus authority. High power distance countries are those where superiors and elders are treated with deference and respect, in contrast to low power distance countries, where relationships are more egalitarian. For example, in a high power distance culture, one would not address one's boss by his or her first name. Australia and the United States, for example, are low power distance countries, whereas Russia and Venezuela are high power distance countries.

Masculine vs. feminine is another of Hofstede's dimensions. It is important to note that this dimension does not refer to the position or role of women in society. Instead, it is the extent to which a society values traditionally masculine attributes (assertiveness, competition) or traditionally feminine ones (modesty, caring for others). Japan, Greece, Belgium, and Mexico have been described as highly masculine cultures; Denmark, Sweden, and Norway have been described as more feminine.

Uncertainty avoidance examines the extent to which societies tolerate risk or are risk averse. Finland, Sweden, Norway, and Greece, for example, were found to be less tolerant of risk than were countries such as Portugal, Brazil, Spain, Yugoslavia, and Turkey.

Time orientation is the final cultural variable Hofstede examined. It is the extent to which a society emphasizes short-run or long-run time horizons. China and Japan, for example, have much longer time horizons than do most Western nations.[5] When Japanese firms enter a foreign market, they are willing to wait four or five years to make a profit; U.S. firms expect to generate profits in new overseas markets in a year or less.

Trompenaars's Cultural Dimensions

Building on the work of Hofstede, Fons Trompenaars added a number of cultural variables to the theory.

Universalism vs. particularism refers to the importance of rules versus relationships in a society. It has been illustrated by the story of a person riding in the passenger seat of a car with a best friend, who is driving. The driver has a "fender bender" while driving ten miles over the speed limit. Should the passenger admit to police that the friend was speeding (rules) or say that the driver was not (relationship)?[6]

The **neutral vs. emotional** variable involves the extent to which persons within a society emotionally express themselves. South American countries, like Brazil and Argentina, are considered to be more emotional than the United States.

The **specific vs. diffuse** variable refers to the compartmentalization of roles. For example, are men in a society depicted in multiple roles (diffuse), such as business executive, father, husband, or president of a social club? Or are men generally depicted on only

individualism vs. collectivism
the worth of an individual versus the worth of a group

power distance
the level of egalitarianism (equality) in a society

masculine vs. feminine
the extent to which a society minimizes gender inequality

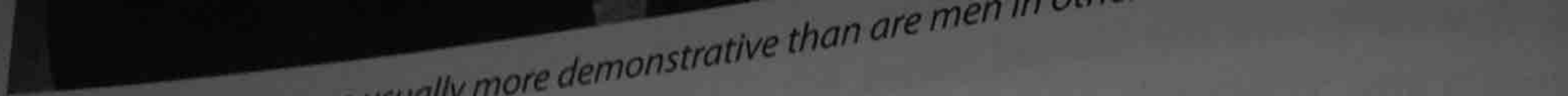
uncertainty avoidance
the extent to which societies tolerate risk or are risk averse

time orientation
the extent to which a society emphasizes short-run or long-run time horizons

universalism vs. particularism
the importance of rules versus relationships

neutral vs. emotional
the extent to which a society expresses itself emotionally

specific vs. diffuse
the degree to which a society compartmentalizes roles



South American men are usually more demonstrative than are men in ot

one dimension, such as businessman (specific)? Are women who work and have children depicted in both roles, mother and manager, or in one, mother?

Achievement vs. ascription refers to how "rewards" in a society are handed out. Are they based on performance (achievement), as is typical in mainstream U.S. culture? Or are they based on ascription, such as one's place in society because of birthright, or what university one attended? The latter is more typical in many Latin American cultures.[7]

The GLOBE Project

The Global Leadership and Organizational Behavior Effectiveness (GLOBE) project has involved surveying thousands of business executives from 61 different countries about nine cultural dimensions. These cultural dimensions are indicated in Exhibit 5.2, along with the specific questionnaire item used to measure each cultural dimension. Notice that some of these items are based on Hofstede's work, while others were added to obtain what the developers of the instrument believed to be a more comprehensive and richer portrait of the cultural dimension of doing business.

Exhibit 5.3 shows the result of the GLOBE research on the nine cultural variables for six different regional clusters. Germanic Europe (Austria, Germany, The Netherlands, and German Switzerland) has emerged as the group that was the most in favor of uncertainty avoidance (risk averse); Eastern Europe (Albania, Georgia, Greece, Hungary, Kazakhstan, Poland, Russia, and Slovenia) was the least risk averse culture. The Germanic cluster was the one with the most futuristic outlook, Eastern Europe the least forward-looking. Southern Asia (India, Indonesia, Iran, Malaysia, Philippines, and Thailand) was ranked first on power distance, closely followed by the Arabic group (Egypt, Morocco, Turkey, Kuwait, and Qatar) and Latin Europe cluster (France, French Switzerland, Israel, Italy, Portugal, and Spain).

The Anglo group (Australia, Canada, England, Ireland, New Zealand, South Africa, and the United States) evidenced the highest level of institutional collectivism ("Collectivism I"), followed closely by Southern Asia and the Arabic groups. The lowest level for institutional collectivism existed for Eastern Europe. The Southern Asia bloc had the highest level of family collectivism ("Collectivism II"), the Germanic and Anglo clusters had the lowest.

Robert Fried/Alamy Limited

EXHIBIT 5.2 GLOBE CONSTRUCTS AND CORRESPONDING QUESTIONNAIRE ITEMS

Culture Construct Definitions	Specific Questionnaire Item
Power Distance: The degree to which members of a collective expect power to be distributed equally.	Followers are (should be) expected to obey their leaders without question.
Uncertainty Avoidance: The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate the unpredictability of future events.	Most people lead (should lead) highly structured lives with few unexpected events.
Humane Orientation: The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others.	People are generally (should be generally) very tolerant of mistakes.
Collectivism I: The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.	Leaders encourage (should encourage) group loyalty, even if individual goals suffer.
Collectivism II: The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.	Employees feel (should feel) great loyalty toward this organization.
Assertiveness: The degree to which individuals are assertive, confrontational, and aggressive in their relationships with others.	People are (should be) generally dominant in their relationships with each other.
Gender Egalitarianism: The degree to which a collective minimizes gender inequality.	Boys are encouraged (should be encouraged) more than girls to attain a higher education.
Future Orientation: The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future.	More people live (should live) for the present rather than for the future.
Performance Orientation: The degree to which a collective encourages and rewards group members for performance improvement and excellence.	Students are encouraged (should be encouraged) to strive for continuously improved performance.

Source: Robert House, Mansour Javidan, Paul Hanges, and Peter Dorfman, "Understanding Cultures and Implicit Leadership Theories Across The Globe: An Introduction To Project GLOBE," *Journal Of World Business* 37 (2002): pp. 3–10. Reprinted with permission from Elsevier Limited via the Copyright Clearance Center.

Southern Asia scored highest on humane orientation; the lowest score on this construct was found for Germanic Europe. Germanic Europe, Anglo, and Southern Asia scored highest on performance orientation, whereas Eastern Europe contained the lowest level. Eastern Europe ranked first on gender egalitarianism, the Arabic bloc lowest. Germanic Europe had the highest score on assertiveness; Eastern Europe had the lowest.[8]

Gannon's Cultural Metaphors

Martin Gannon believes that it is extremely difficult for executives of companies conducting business overseas to learn much about the cultures of a number of countries through "do's" and don'ts". He suggests that it would be more productive for international executives to gauge a specific culture by using an image ("metaphor") that depicts how people in a specific culture think and behave. Some examples of his metaphors are:

- French wine—Purity; classification; composition; compatibility; maturation
- German symphony—Orchestra; conductors; performance; society; education and politics
- British house—Laying the foundation; building the brick house; living in the brick house[9]

REALITY CHECK LO-3

Choose a country with which you are unfamiliar and research its rankings on Hofstede's dimensions. What specific business practices would you expect to find in that country based on the rankings? Read some business literature about that country and see whether your expectations are fulfilled.

Sources of Cultural Information

LO-4

Identify the primary and secondary sources that can be used to learn about foreign countries' cultures.

Companies considering conducting business overseas, and those already doing business abroad, have a number of sources they can access to learn more about the culture of various foreign countries. Some of the primary sources are talking to employees who have lived or worked abroad, executives who have traveled to other countries, training programs, and consulting firms. Persons who may be about to undertake an international assignment can be exposed to cultural idiosyncrasies in which they are asked how they would handle various cultural traits that might occur in their assigned countries.

Various secondary sources are very helpful. These include:

- *The U.S. Department of Commerce Country Commercial Guide*—Provides cultural information for 133 countries.
- *The Economist's* Intelligence Unit contains the same type of information on 180 countries in its *Country Reports*.
- *Culture Grams*, from Brigham Young University's Center for International and Area Studies, describes customs existing in 174 countries.
- *Craigshead's International Business, Travel and Relocation Guide to 84 Countries* gives cultural information for these nations.
- *Price Waterhouse Coopers Doing Business in 118 Countries*—Contains useful information about 118 countries.

REALITY CHECK LO-4

Choose one of the above sources and read the write-up on any five countries of your choice. How much information is provided about their cultures? Are there any similarities among your choices?

Cultural Dimensions of Conducting Business in Individual Countries

LO-5

Describe the cultural aspects of doing business in various countries, including East Asian countries, Arab countries, and Latin America.

Although it has been emphasized that it is more important to have an overall flexible and open attitude about foreign cultures than to memorize lists of "do's and don'ts," individual countries have specific business customs that are worth learning. In this section we highlight a few countries and cultures where many U.S. firms may aspire to do business.

Cultural Dimensions of Doing Business in Japan

A business entrepreneur, "Mr. Jones," who owns and manages a software and computer company, has made more than 20 trips to Japan, his most important international market.

This experience enabled him to develop a series of business strategies that recognized the cultural aspects of doing business in Japan.

Mr. Jones noticed that most flights from the United States to Tokyo—about 14 hours in length from the United States' West Coast—arrive late in the afternoon. Upon being greeted by his Japanese hosts, he would typically go to dinner, and stop in various Tokyo bars. Mr. Jones soon believed that these "welcoming" activities were designed to take advantage of his severe case of jet lag so that he would be more likely to grant concessions at the next day's meetings. After gaining some experience in this practice, Mr. Jones decided to fly into Tokyo, getting several days of rest to eliminate jet lag, and thereafter alerting the Japanese business representatives that he had arrived.

On several occasions during his meetings, the Japanese executives would engage in lengthy periods of silence. Mr. Jones believed that this was a tactic to get him to speak first in hopes that he would make concessions. Eventually, Mr. Jones decided to wait out these periods of silence and allow the Japanese executives to speak first. In one instance, it took 30 minutes of silence, but the strategy worked.

Mr. Jones also noticed that not much had happened during negotiations until the evening before he was scheduled to return to the United States. Then, he was under pressure to accomplish a lot in negotiations, with the hope that he would "give the store away." Mr. Jones countered this ploy by arranging for his return ticket after all negotiations and agreements had been made.

Mr. Jones also learned about other cultural aspects of doing business in Japan, which have included the following:

- Upon meeting a Japanese executive, a slight bow and handshake are appropriate.
- Business card etiquette is important. On one side of the card, the information should be in English; the other side should have the same information in Japanese.
- It is not appropriate to look directly into the eyes of your Japanese hosts.
- It is important for your Japanese hosts to know your title and rank; they prefer to do business with high-ranking individuals.
- Japanese business has a group orientation, rather than an individualistic one. "The peg that stands out gets hammered down" is an old Japanese saying.
- They expect foreign business representatives to arrive prepared and to have decision-making authority.
- New potential business partners must have been referred to Japanese business representatives through a third party.

Cultural Dimensions of Doing Business in Korea

Korea has a rich cultural tradition with which foreign business representatives should be acquainted. Here are some highlights of Korean values, attitudes, and customs:

- Older generations are respected for their knowledge and wisdom. Gray hair is viewed positively.
- The number *1* is good, whereas the number *4* signifies death or failure.
- Children are not supposed to say their parents' names, even when used with a title.
- Younger brothers and sisters are not allowed to use the names of their older siblings.
- "Yangban" refers to the noble class. Its culture is honor, reputation, and dignity. It is illustrated by never begging, even when one is hungry, and never running, even when it rains.

- "We" is more important than "I."
- At the dinner table, older generations, superiors, or parents will start to eat earlier than subordinates, younger generations, or children.
- It is important not to show your backside when meeting with a colleague. Thus, you will back out of his office instead of turning around to leave.
- Teachers are so revered that walking in their shadows is viewed as impolite.
- Rocks, trees, clouds, and skies are important elements of Korean culture.
- Adults who are married with their own children will often live with their parents.
- **"Inwa"** involves harmony among unequals: loyalty is owed to parents and authority figures, yet superiors are responsible for the well-being of their subordinates.
- A personal relationship needs to occur before business matters can be discussed with foreigners.[10]

Cultural Dimensions of Doing Business in China

The overriding cultural aspect of doing business in China is **guanxi** ("*gwanshe*"). Foreign business representatives who ignore *guanxi* are less likely to be successful in the Chinese market.

Guanxi refers to the relationship between subordinates and superiors. It denotes friendship among unequals involving unlimited exchanges of favors; thus, it is not based upon sentiment. It is utilitarian, not emotional. It has an individual orientation, not a group one.

Exchanges are often uneven, working to the advantage of weaker members in the *guanxi* relationship. Thus, claims of modesty and inadequacy should be viewed as subtle demands for generosity, reminding the more powerful individual of his or her obligation to be more magnanimous. This concept also applies to relationships with more powerful and wealthy foreigners who are expected to cede certain points to Chinese business representatives during business dealings.

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an family showing respect for the grandfather.

inwa
korean philosophy stressing harmony among unequals, loyalty to parents and authority figures, and superiors being responsible for the well-being of subordinates

guanxi
chinese philosophy denoting friendships among unequals and unlimited exchanges of favors; it is not based on sentiment, emotions, or a group orientation

Persons of low rank may be powerful and influential due to *guanxi* relationships with superiors. Therefore, foreigners who want to conduct business in China may need to seek out these lower level persons and obtain their favor in order to gain access to the more powerful superiors who are the decision makers.[11]

Cultural Dimensions of Doing Business in Arab Countries

There are a number of "don'ts" that business representatives must recognize when doing business in Arab countries:

- Avoid sitting so that the sole of one's shoe is shown.
- The left hand is viewed as "unclean." (After returning from conducting a five-day workshop for the Kuwait Institute of Banking Studies, one author of this text realized that he had used his left hand when distributing all of his handout materials!)
- Good posture is imperative.
- Foreign business representatives should not inquire about the wives of Arab business representatives.
- Do not be overly effusive when praising the possessions of Arab hosts, as this could create a perception that you expect they give these possessions to you.
- Arab business representatives will probably be reluctant to do business with women. If a woman is accepted, modest dress is appropriate.
- Arab business representatives may frequently divert from the topic initially discussed, then return to it.

Cultural Dimensions of Doing Business in Latin America

Latin America is an attractive market for foreign companies. Brazil, Mexico, Argentina, and Colombia are populous countries (Brazil, 201 million; Mexico, 112 million; Argentina, 41 million; and Colombia, 44 million) and they have reached viable per capita GDPs: Brazil

ETHICAL PERSPECTIVES

Right or Wrong? It Depends on the Culture

Cultures around the world have different paradigms describing what is ethical or unethical when conducting business in overseas markets.

Foreign companies that want to promote their products in France are often surprised that the French consider it unethical for advertisements to disparage competitors and/or their products. This cultural norm has been incorporated into legislation outlawing such practices.

Ethical considerations permeate contractual agreements. Whether agreements will be reached by a handshake or by signed contract, businesspeople in some countries believe that it is ethical to unilaterally modify the terms if "conditions have changed."

When Americans do business in Latin America, they often find that their hosts spend a lot of time discussing cultural matters, such as the art, history, architecture, and music that is pertinent to his or her home country before "getting down to business." The American business people, on the other hand, believe that such matters are unimportant, they detract from closing the deal, or they should be discussed only after an understanding and agreement has been made.

In Muslim countries, it is considered unethical to charge interest on business loans. In non-Muslim nations, it is accepted that interest will be charged and must be paid.

Paying bribes to foreign officials deciding upon who should be awarded infrastructure contracts is an ethical conundrum of doing business overseas. American companies complained that when they would not pay bribes, they would not get contracts because companies from other countries did pay them. In order to cope with this problem, the Advocacy Center was created in the U.S. Department of Commerce. This enabled high-ranking U.S. government officials, such as the Secretary of Commerce, to accompany American executives in efforts to secure some of these lucrative accounts.

0,200; Mexico, $13,200; Argentina, $13,400; and Colombia, $9,200. Chile is small (16.7 illion people) but has per capita GDP of $14,600. Uruguay is similar, with 3.5 million eople and a per capita GDP of $12,600.[12]

When doing business in Latin America, it is important to understand that potential stomers want to develop a personal relationship before doing business with foreign executives. Dinner meetings and lunch meetings provide a good time for executives to get to know e another better. Often, conversations about buying and selling, and contracts and terms ll be relegated below discussions about the particular Latin American country's culture, story, architecture, current economic conditions, and similar topics. Dinners often occur e in the evening, at 9:00 p.m. or 10:00 p.m. Formal manners and appropriate business ire are appreciated.

Latin Americans are not as conscious about time as are North Americans. They are not rushed as workers from the United States. If something does not get done today, there always the next day—or the day after that. Companies that want to do business in Latin merica will need to be flexible about meeting times, dates, and deadlines.

Latin Americans are not as immersed in their work as the business people in the United ates. Their motto is: "We work to live," not "We live to work."

REALITY CHECK LO-5

Find someone who is a native of a foreign country and now works in the United States (or your home country). Ask that person about customs and business practices in the United States, and how these compare with customs and business practices in his or her native country. How easily do you think you would adapt if you worked in that person's country?