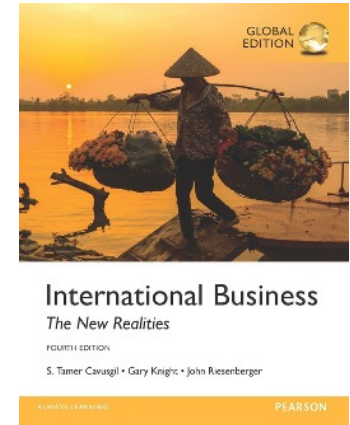


Part 2

Chapter

The Environment of International Business

3



# The Cultural Environment of International Business

Presented by

Prof. Dr. Zafar Uddin Ahmed

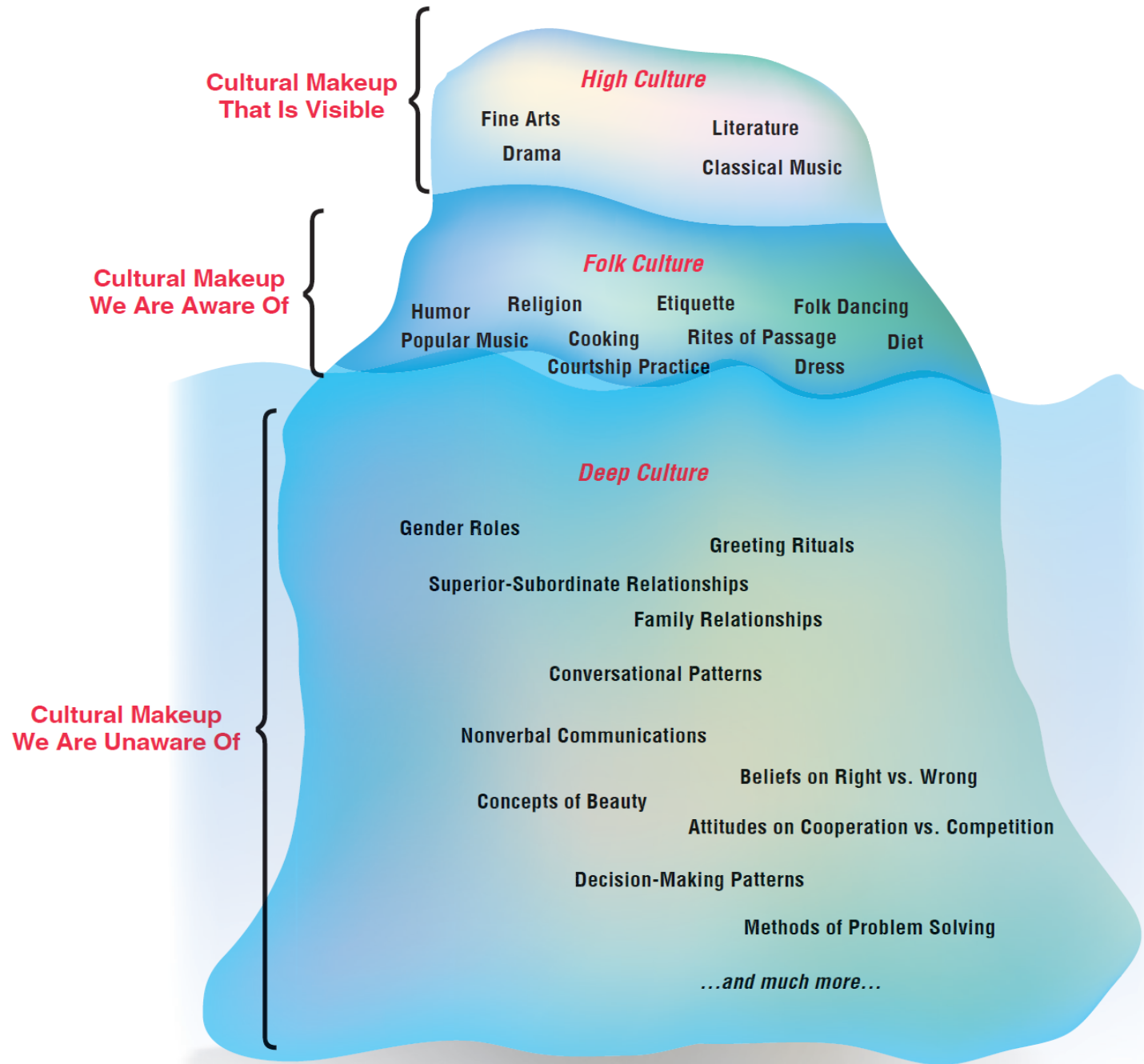
# Key Dimensions of Culture

- **Values** represent a person's judgments about what is good or bad, acceptable or unacceptable, important or unimportant, and normal or abnormal.
- **Attitudes** and preferences are developed based on values, and are similar to opinions, except that attitudes are often unconsciously held and may not have a rational basis.

## Examples

Values common to Japan, North America, and Northern Europe include hard work, punctuality, and wealth acquisition.

# Culture as an Iceberg



# Manners, Customs, Perceptions of Space

- **Manners and customs** refer to ways of behaving and conducting oneself in public and business situations. They are present in eating habits, mealtimes, work hours and holidays, drinking and toasting, appropriate behavior at social gatherings (kissing, handshaking, bowing), gift-giving (complex), the role of women, and much more.
- **Perceptions of space** reflects each culture's orientation about personal space and conversational distance.

# Perceptions of Time

- Time dictates expectations about planning, scheduling, profit streams, and what constitutes tardiness in arriving for work and meetings.
- **Monochronic** - A rigid orientation to time in which the individual is focused on schedules, punctuality, time as a resource, time is linear, “time is money”. For example, people in the U.S. are hurried and impatient.
- **Polychronic** - A flexible, non-linear orientation to time in which the individual takes a long-term perspective; time is elastic, long delays are tolerated before taking action. Punctuality is relatively unimportant. Relationships are valued. Examples: Africa, Latin America, Asia.

# Symbolic and Material Productions

- A symbol can be letters, figures, colors, or other characters that communicate a meaning. Examples include flags, anthems, seals, monuments, and even historical myths.
- *Material productions* are artifacts, objects, and technological systems that people construct to function within their environments.

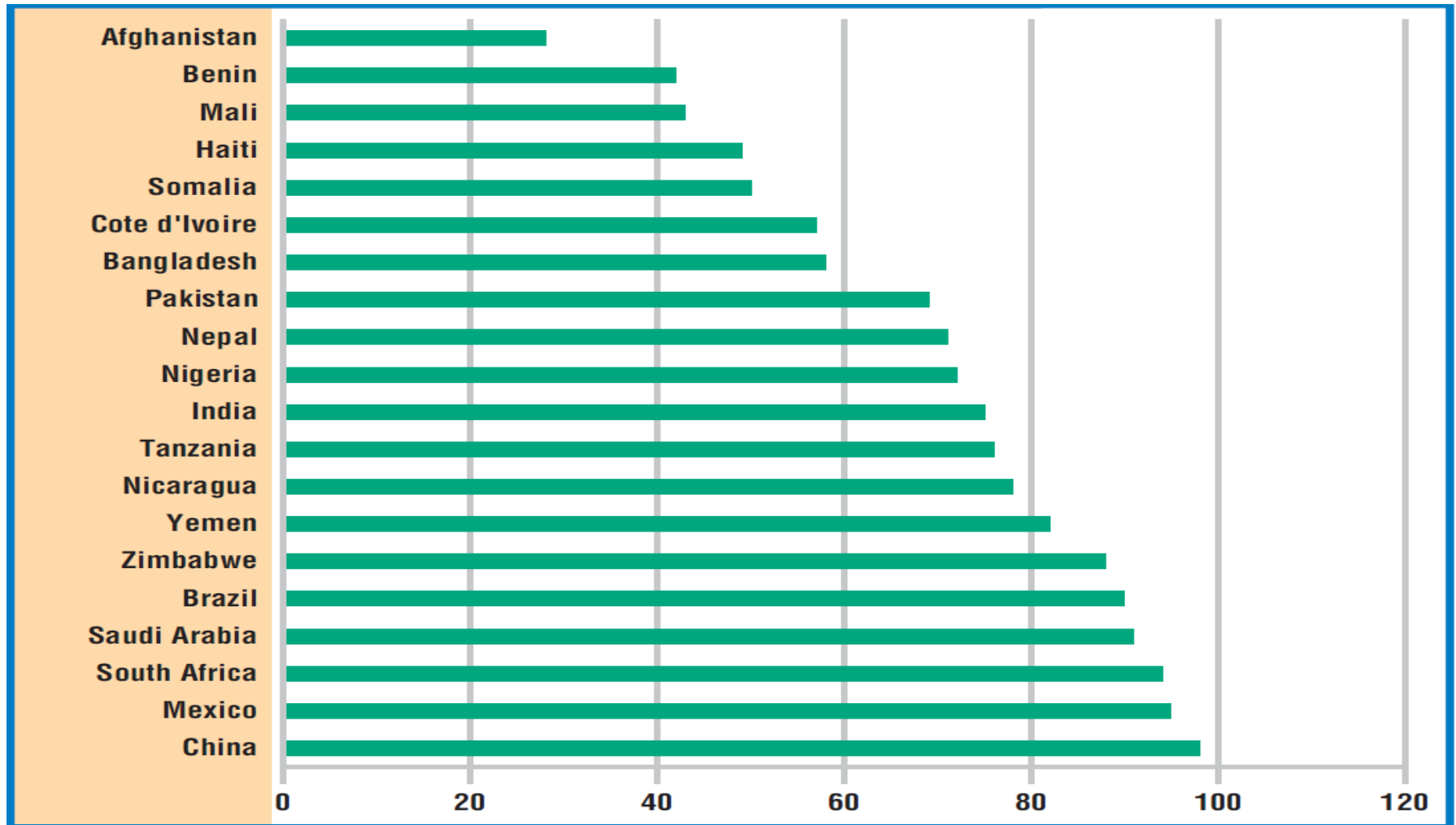
# Social Structure

Social structure is the pattern of social arrangements and organized relationships that characterize a society. Society is organized as:

- Individuals
- Family
- Reference groups
- Social stratification
- Social mobility

# Literacy Rates in Selected Countries

(% of those who can read)



Source: Central Intelligence Agency, The World Factbook 2015 (Washington DC Central Intelligence Agency, 2015)

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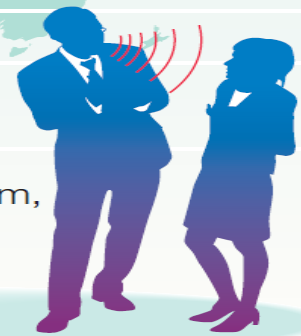


# Language as a Key Dimension of Culture

- The “mirror” or expression of culture; essential for communications; provides insights into culture.
- Linguistic proficiency is a great asset in international business.
- Language has both verbal and nonverbal (unspoken, facial expressions and gestures).
- There are nearly 7,000 active languages, including over 2,000 in each of Africa and Asia.

# Most Common Primary Languages in the World

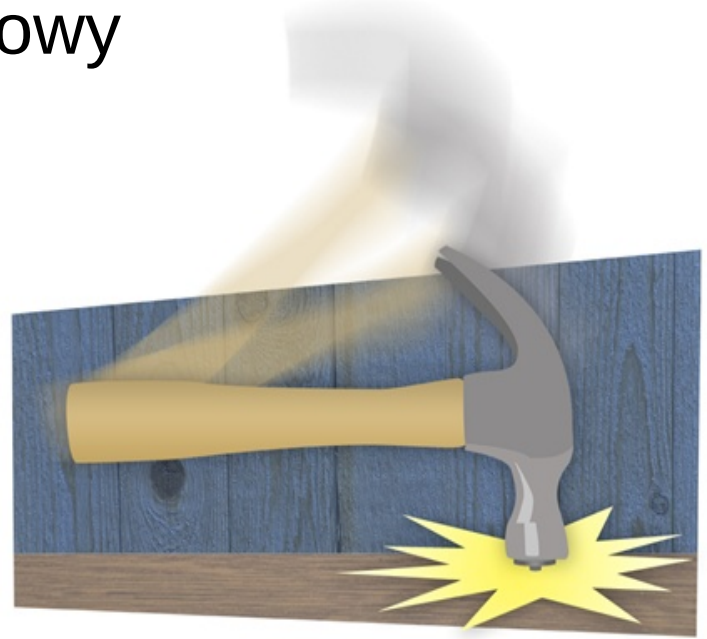
World Rank	Language	Approximate Number of Native Speakers (Millions)	Countries with Substantial Number of Native Speakers
1	Chinese	960	China, Singapore
2	Spanish	380	Argentina, Mexico, Spain
3	English	340	Australia, Canada, United Kingdom, United States
4	Hindi	310	India
5	Arabic	305	Egypt, Saudi Arabia, United Arab Emirates
6	Portuguese	210	Brazil, Portugal
7	Bengali	200	Bangladesh, India
8	Russian	150	Russia, Kazakhstan, Ukraine
9	Japanese	125	Japan
10	Punjabi	100	India, Pakistan
11	German	90	Germany, Austria
12	Javanese	80	Indonesia
13	Korean	75	South Korea
14	French	74	France, Canada, Belgium, Algeria
15	Tamil	70	India, Sri Lanka



Sources: Based on M. Paul Lewis et al. (ed.), *Ethnologue: Languages of the World*, 18th ed. (Dallas, TX: SIL International, 2015) at <http://www.ethnologue.com>; and CIA World Factbook, 2015, at <http://www.cia.gov>

# Idioms

- An expression whose symbolic meaning differs from its literal meaning; You can't understand it simply by knowing what the individual words mean. Examples:
  - Australia: "The tall poppy gets cut down"  
(importance of not being showy or pretentious)
  - Thailand: "If you follow older people, dogs won't bite you" (wisdom)
  - Japan: "The nail that sticks out gets hammered down"  
(group conformity)



# Idioms that Symbolize Cultural Values

Country	Expression	Underlying Value
Japan	“The nail that sticks out gets hammered down.”	Group conformity
Australia and New Zealand	“The tall poppy gets cut down.” (Criticism of a person who is perceived as presumptuous, attention-seeking, or without merit.)	Egalitarianism
Sweden and other Scandinavian countries	“ <i>Janteloven</i> ” or “Jante Law.” “Don’t think you’re anyone special or that you’re better than us.”	Modesty
Korea	“A tiger dies leaving its leather, a man dies leaving his name.”	Honor
Turkey	“Steel that works, does not rust.”	Hard work
United States	“Necessity is the mother of invention.”	Resourcefulness
Thailand	“If you follow older people, dogs won’t bite you.”	Wisdom

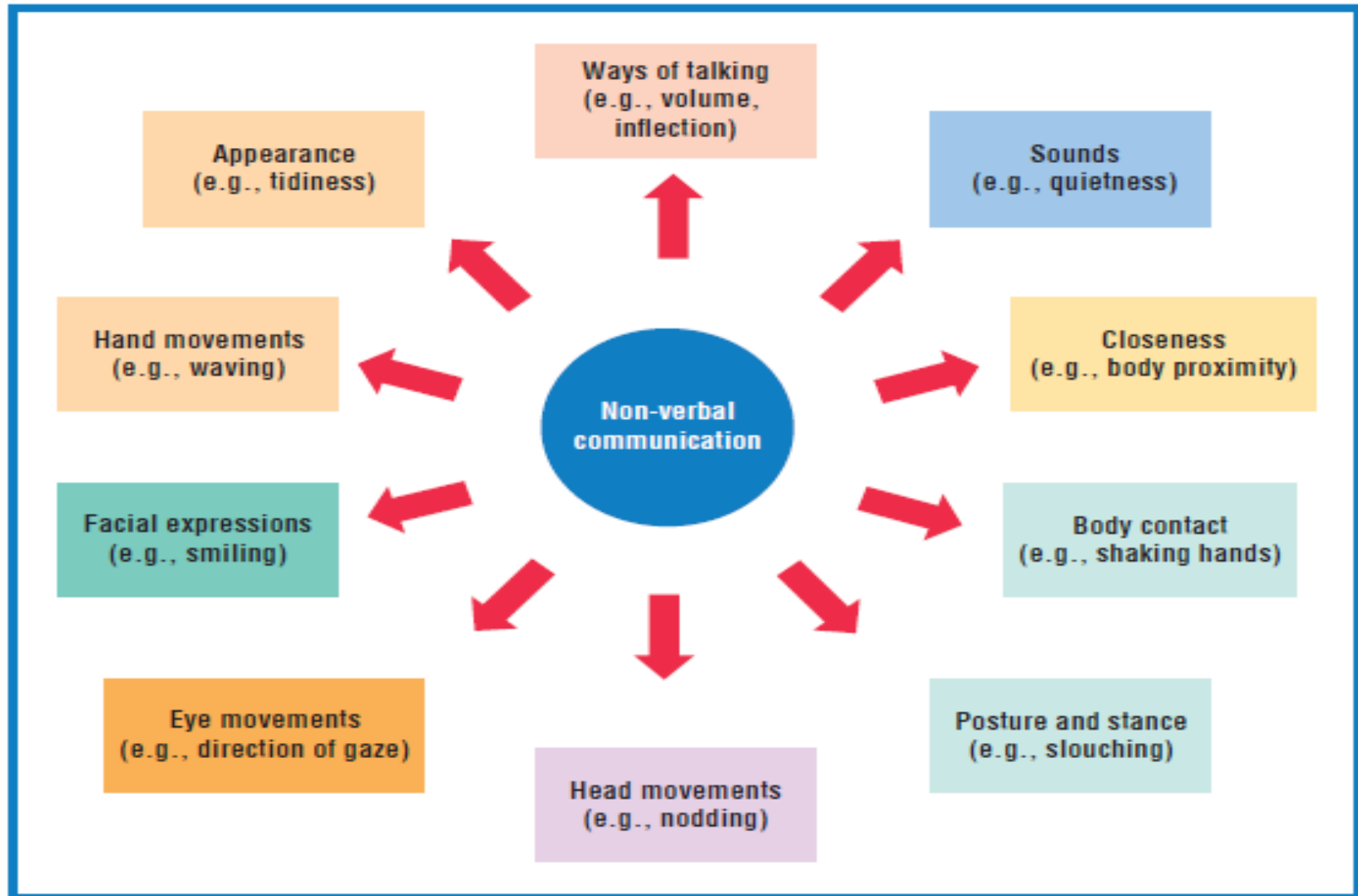
# Blunders in International Advertising

Firm and Location	Intended Slogan	Literal Translation
Parker Pen in Latin America	"Use Parker Pen, avoid embarrassment"	"Use Parker Pen, avoid pregnancy!"
Pepsi in Germany	"Come Alive with Pepsi"	"Come out of the grave with Pepsi"
Pepsi in Taiwan	"Come Alive with Pepsi"	"Pepsi brings your ancestors back from the dead"
Fisher Body in Belgium (car exteriors)	"Body by Fisher"	"Corpse by Fisher"
Salem cigarettes in Japan	"Salem-feeling Free"	"Smoking Salem makes your mind feel free and empty"

# Meaning Differences between U.S. and British English

Word	Meaning in U.S. English	Meaning in British English
Redundant	repetitive	fired or laid off
Scheme	a somewhat devious plan	a plan
Sharp	smart, clever	conniving, unethical
Windscreen	a screen that protects against the wind	automobile windshield
To table	to put an issue on hold	to take up an issue
To bomb	to fail miserably	to succeed grandly

# Nonverbal Communications

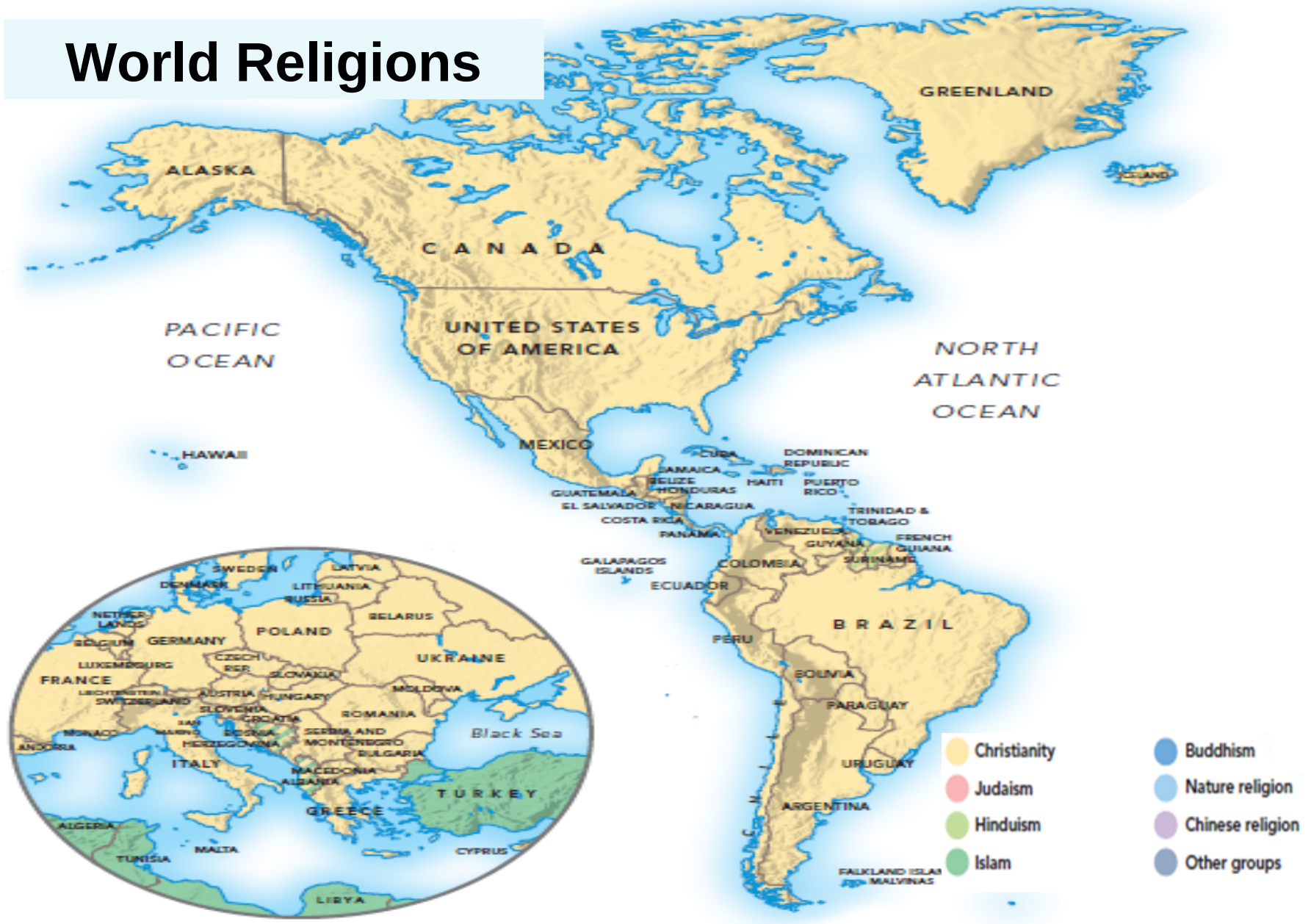


# Religion

- A system of common beliefs or attitudes regarding a being or system of thought that people consider sacred, divine, or the highest truth; and the associated moral values, traditions, and rituals.
- Influences culture, and therefore business and consumer behavior.
- Example: The “protestant work ethic” emphasizes hard work, individual achievement, and a sense that people can control their environment - the underpinnings for the development of capitalism.



# World Religions



Sources: Based on <http://www.godweb.org/religionsofworld.htm> and <http://www.mapsofworld.com/religion-map.htm>

# World Religions



# Role of Religion in Islamic Societies

- Islam is the basis for government, legal and social systems. As Muslims view God's will as the source of all outcomes, they are relatively fatalistic and reactive.
- Islam's holy book, the Qur'an, prohibits drinking alcohol, gambling, usury, and "immodest" exposure. The prohibitions affect firms dealing in various goods.

## Examples

- Nokia launched a mobile phone that shows Muslims the direction towards Mecca, Islam's holiest site.
- Heineken rolled out the non-alcoholic malt drink *Fayrouz*.



# In business, culture affects:

- Managing employees.
- Communicating and dealing with distributors and other business partners.
- Negotiating and structuring business ventures.
- Developing products and services.
- Preparing advertising and promotional materials.
- Preparing for international trade fairs.
- Interacting with current and potential customers.





# Perceived Cultural Attributes of Mexico and the USA

Dimension	Mexico	United States
Role of context	High-context culture that values social trust, personal goodwill, and ritualized business	Low-context culture that emphasizes efficiency, explicit communications, and “getting down to business”
Individualism versus collectivism	Relatively group oriented. Extended families, teamwork, and group loyalty are valued.	Relatively individualistic. Emphasis on personal freedom and working alone. Group loyalty is less valued.
Time orientation	Fluid and polychronic. Long-term relationships are valued. Mexicans emphasize the past and believe they have little control over the future.	Rigid and monochronic. Business is short-term oriented and values profit above all else. Americans believe they can control the future.
Space perceptions	Conversational distance is close. Personal space is less valued.	Conversational distance is ample. Personal space is highly valued.
Religion	Christianity is very influential in daily life, and often in business.	Americans’ religious orientation is diverse and declining.

SOURCES: Based on Geert Hofstede, *Culture’s Consequences* (Beverly Hills, CA: Sage, 1980); Boye De Mente, *The Mexican Mind* (Beverly Hills, CA: Phoenix Books, 2011); Lucila Ortiz, *A Primer for Spanish Language, Culture and Economics* (Bloomington, IN: Xlibris, 2011)

# Mexico and the United States (cont'd)

Dimension	Mexico	United States
Language	Spanish dominates, with little linguistic diversity.	While English dominates, there is much linguistic diversity.
Negotiations	Tend to progress slowly. Decisions take time. Legalism is avoided in agreements.	Emphasis on efficiency and quick decision making. Agreements are often legalistic.
Business relations	Relationship-oriented. Mexicans are easy-going, valuing personal bonds.	Deal-oriented. Business performance takes precedence over relationships.
Business meetings	Arriving late is acceptable. Meetings are informal and usually don't follow a strict agenda.	Americans are time-oriented, arriving promptly to meetings, which often follow a formal agenda.
Superior-subordinate relations	Firms are hierarchical, with much power distance. Senior managers are relatively authoritarian.	Lower power distance. Firms are "flatter," with less hierarchy. Relations with superiors are informal and easy-going.
Style of dress in business	Conservative, emphasizing dark suits. High-status personnel are expected to dress the part.	Business casual is widely accepted. "Dressing the part" is less important.

# Interpretations of Culture

- **Cultural Metaphors** refer to a distinctive tradition or institution strongly associated with a society; a guide to deciphering attitudes, values, and behaviors.
- American football represents systematic planning, strategy, leadership, and struggling against rivals.
- The Swedish *stuga* (a sum cottage) represents the love of nature and desire for individualism, in Sweden.
- The Spanish bullfight reflects the importance of ritual, style, courage, and pride in Spain.

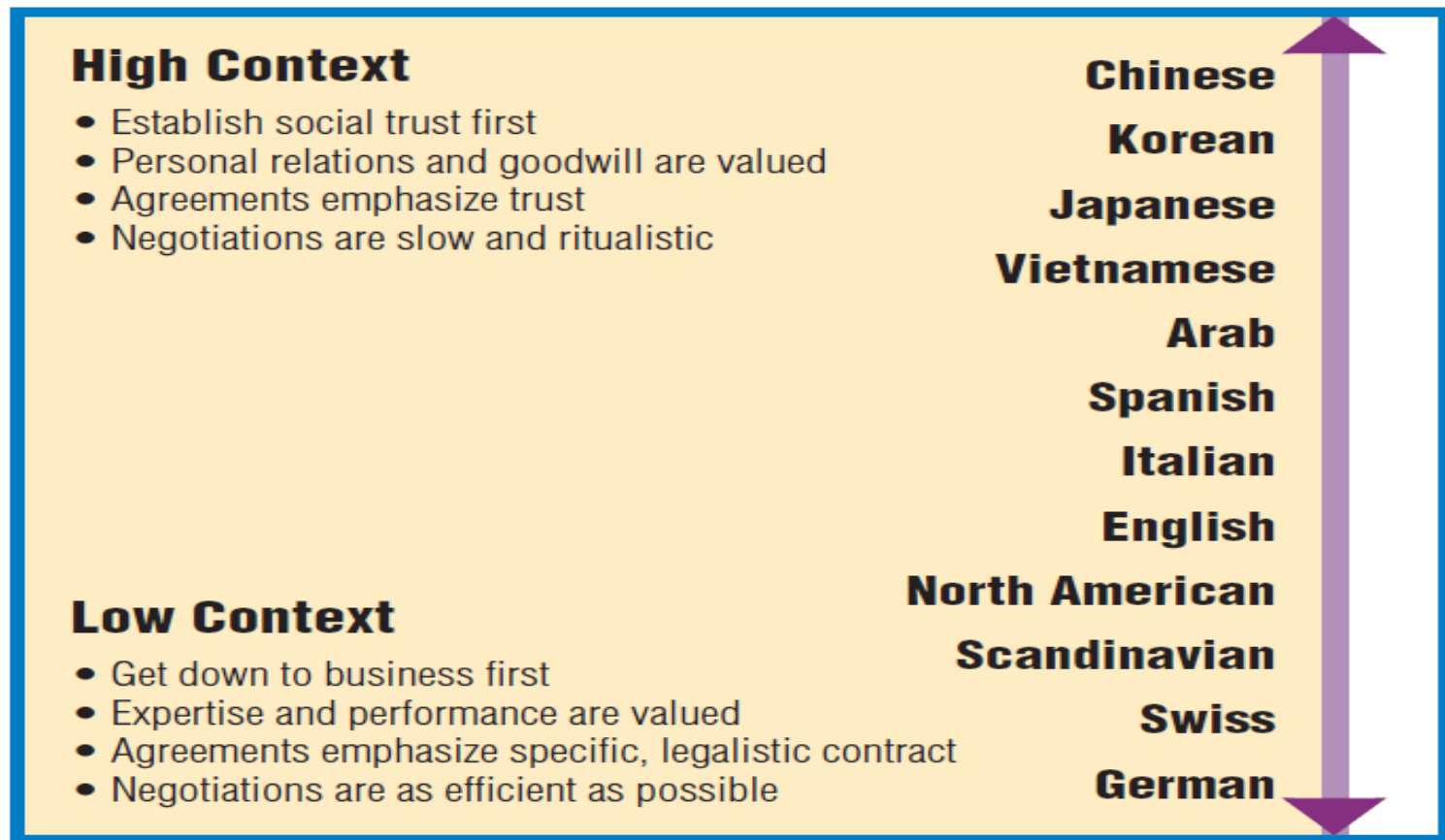


# E. T. Hall's High- and Low-Context Cultures

- **Low-context cultures** rely on explicit explanations, with emphasis on spoken words. Such cultures emphasize clear, efficient, logical delivery of verbal messages. Communication is direct. Agreements are concluded with specific, legal contracts.
- **High-context cultures** emphasize nonverbal or indirect language. Communication aims to promote smooth, harmonious relationships. Such cultures prefer a polite, “face-saving” style that emphasizes a mutual sense of care and respect for others. Care is taken not to embarrass or offend others.



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



Source: Based on *Beyond Culture* by Edward T. Hall, copyright © 1976, 1981 by Edward T. Hall. Used by permission of Doubleday, a division of Random House, Inc. For online information about other Random House, Inc. books and authors, see the Internet Web Site at <http://www.randomhouse.com> Mark Cleveland, Michel Laroche, and Nicolas Papadopoulos, "You are what you speak? Globalization, multilingualism, consumer dispositions and consumption," *Journal of Business Research*, 68 No. 3 (2015), pp. 542–552.

Donghoon Kim, Yigang Pan, and Heung Soo Park, "High- Versus Low-Context Culture: A Comparison of Chinese, Korean and American Cultures," *Psychology & Marketin*, 15 No. 6 (1998), pp. 507–521.

# Ethical Connections

- Ethical values vary by culture. Consider two scenarios given to students.
- In scenario one, a car salesman failed to inform his superiors about a serious engine problem of a car he had received as trade-in on a new car sale.
- In scenario two, a dealership neglected to fully repair a car transmission under warranty in the hope of securing lucrative repair work after the warranty expired.
- Students from China and Russia felt relatively little harm had been done in these scenarios. Students from Finland and South Korea judged the scenarios to be unethical.

Source: M. Ahmed, Y. Kung; J. Eichenseher, "Business Students' Perception of Ethics and Moral Judgment," *Journal of Business Ethics*, 33 (2003): 89–102.

# Hofstede's Typology of National Culture

- **Individualism versus collectivism** refers to whether a person primarily functions as an individual or within a group.
- In individualistic societies, each person emphasizes his or her own self-interest; competition for resources is the norm; individuals who compete best are rewarded. Examples: Australia, Britain, Canada, and the U.S.
- In collectivist societies, ties among individuals are important; business is conducted in a group context; life is a fundamentally cooperative experience; conformity and compromise help maintain harmony. Examples: China, Panama, Japan, South Korea.

# Hofstede's Typology (cont'd)

- **Power distance** describes how a society deals with inequalities in power that exist among people.
- High power distance societies exhibit big gaps between the weak and powerful; in firms, top management tends to be autocratic, giving little autonomy to lower-level employees. Examples: Guatemala, Malaysia, Philippines, and several Middle East countries.
- Low-power distance societies have small gaps between the weak and powerful. Firms tend toward flat organizational structures, with relatively equal relations between managers and workers. For example, Scandinavian countries instituted various systems to ensure socioeconomic equality.

# Hofstede's Typology (cont'd)

- **Uncertainty avoidance** refers to the extent to which people can tolerate risk and uncertainty in their lives.
- High uncertainty avoidance societies create institutions to minimize risk and ensure security. Firms emphasize stable careers and regulate worker actions. Decisions are made slowly. Examples: Belgium, France, Japan
- In low uncertainty avoidance societies, managers are relatively entrepreneurial and comfortable with risk. Firms make decisions quickly. People are comfortable changing jobs. Examples: Ireland, Jamaica, U.S.

# Hofstede's Typology (cont'd)

- **Masculinity versus femininity** refers to a society's orientation based on traditional male and female values.
- Masculine cultures value competitiveness, ambition, assertiveness, and the accumulation of wealth. Both men and women are assertive, focused on career and earning money. Examples: Australia, Japan.
- Feminine cultures emphasize nurturing roles, interdependence among people, and caring for less fortunate people – for both men and women. Examples: Scandinavian countries, where welfare systems are highly developed, and education is subsidized.

# Hofstede's Typology (cont'd)

- **Long-term vs. short-term orientation** describes the degree to which people and organizations defer gratification to achieve long-term success.
- Long-term orientation emphasizes the long view in planning and living, focusing on years and decades. Examples: Traditional Asian cultures, such as China, Japan, and Singapore, which base these values on the teachings of the Chinese philosopher Confucius (500 B.C.), who espoused long-term orientation, discipline, hard work, education, and emotional maturity.
- Short-term orientation is typical in the United States and most other Western countries.

# Hofstede's Typology (cont'd)

- **Indulgence versus restraint** describes the degree to which people in a society attempt to control their impulses and desires.
- Members of indulgent societies allow relatively free gratification of their basic and natural human desires related to having fun and generally enjoying life.
- Restrained societies believe that such gratification should be curbed and regulated by strict norms.
- For example, Denmark, Mexico, and the U.S. score high on indulgence. China, Iraq, and South Korea score high on restraint.



# Deal vs. Relationship Orientation

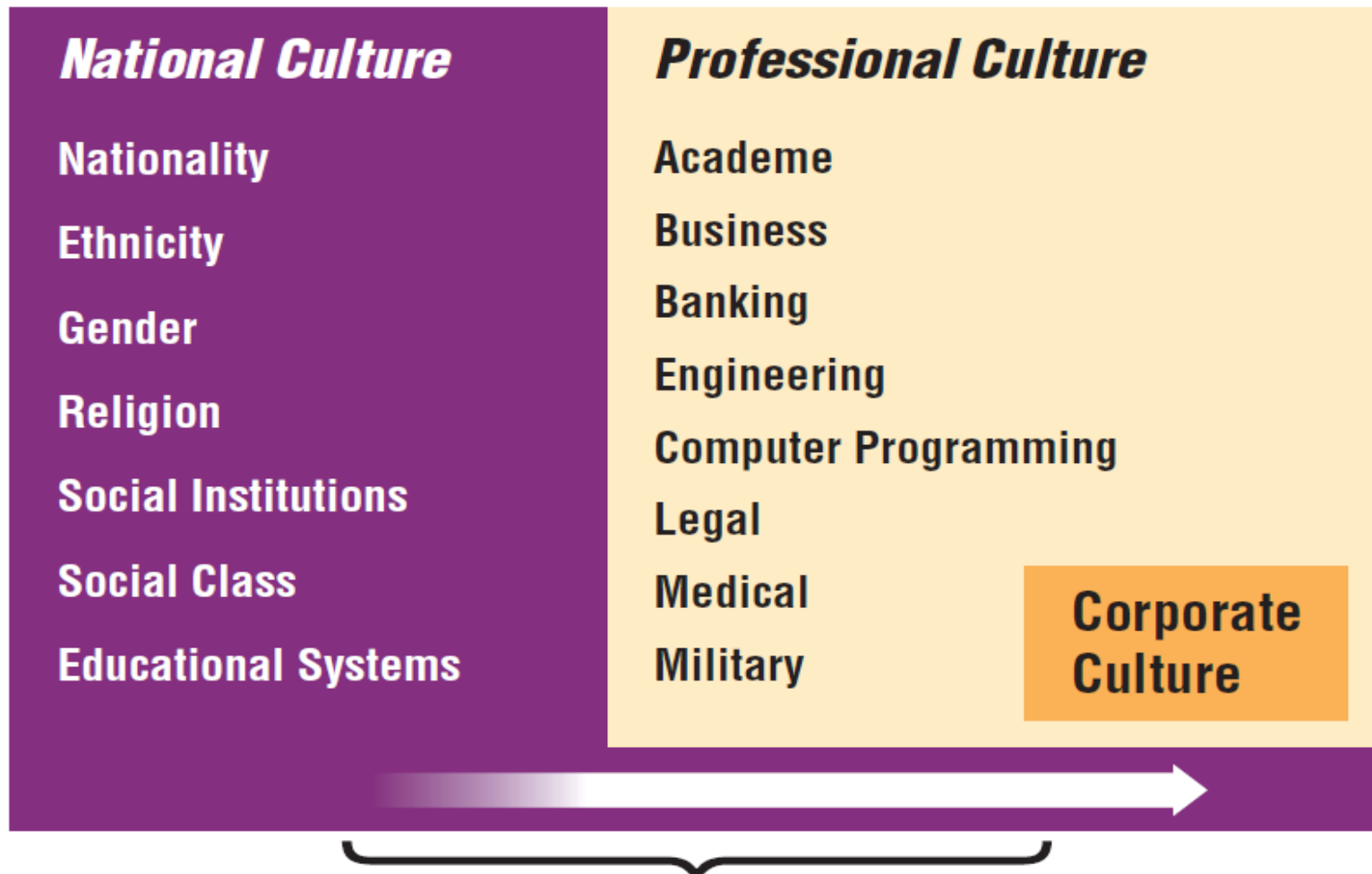
- In *deal-oriented* cultures, managers focus on the task at hand, are impersonal, typically use contracts, and want to just “get down to business.” Examples: Australia, Northern Europe, and North America.
- In *relationship-oriented* cultures, managers value affiliations with people, rapport, and getting to know the other party in business interactions. Relationships are more important than individual deals; Trust is much valued in business agreements. Examples: China, Japan, Latin American countries. It took nine years for Volkswagen to negotiate a car factory in China.

# ***Guanxi*: Important in Business in China**

- Refers to social connections and relationships based on mutual benefits.
- Emphasizes reciprocal exchange of favors as well as mutual obligations.
- Rooted in ancient Confucian philosophy, which values social hierarchy and reciprocity.
- Engenders trust, thereby serving as a form of insurance in a potentially risky business environment.



# National, Professional, and Corporate Culture



***Progressive Socializations that Occur During a Person's Life***

Source: Based on V. Terpstra and K. David, *Cultural Environment of International Business*, 3rd ed. (Cincinnati, OH: South-Western, 1991).

# Managerial Orientations

- **Ethnocentric orientation:** Using our own culture as the standard for judging other cultures.
- **Polycentric orientation:** A mindset in which the manager develops a greater affinity for the country in which he or she works than for the home country.
- **Geocentric orientation:** A global mindset in which the manager is able to understand a business or market without regard to national boundaries.

Managers should strive for a geocentric orientation.

# Culture is linked with particular groups based on various factors, including:

- *Geography*. Different levels – the world, the nation, the region, cities – elicit unique cultural perspectives.
- *Ethnicity*. For example, people of African, Indian, and Latino heritage tend to perceive reality differently.
- *Gender*. Men and women often experience the world differently.
- *Age*. Seniors, baby boomers, teenagers, and children perceive their worlds differently.
- *Language*. Language both reflects, and is reflected by, cultural differences.
- *Occupation*. Perspectives differ among blue collar workers, professionals, or artists

# Managerial Guidelines for Cross-Cultural Success

- ***Acquire factual and interpretive knowledge*** about the other culture; try to speak their language.
- ***Avoid cultural bias.***
- ***Develop cross-cultural skills***, such as perceptiveness, interpersonal skills, adaptability



# Managerial Guidelines (cont'd)

- ***Self-reference criterion***: The tendency to view other cultures through the lens of one's own culture- understanding this is the first step.
- ***Critical incident analysis***: A method for analyzing awkward situations in cross cultural interactions by developing empathy for other points of view.
  1. Identify situations where you need to be culturally aware to interact effectively with people from another culture.
  2. When confronted with “strange” or awkward behavior, discipline yourself to not make judgments.
  3. Develop your best interpretation of the foreigner’s behavior, and formulate your response.
  4. Learn from this process and continuously improve.

# Personality Traits for Cross-Cultural Proficiency

- *Tolerance for ambiguity*: Ability to tolerate uncertainty and lack of clarity in the thinking and actions of others.
- *Perceptiveness*: Ability to closely observe and comprehend subtle information in the speech and behavior of others.
- *Valuing personal relationships*: Ability to appreciate personal relationships; which are often more important than achieving one-time goals or “winning” arguments.
- *Flexibility and adaptability*: Ability to be creative in devising innovative solutions, be open-minded about outcomes, and show “grace under pressure”.