The Cultural Environment of International Business

> American Football . . . in Europe?

There are few things more representative of U.S. culture than American football. It is an extravaganza, complete with exciting halftime shows and peppy cheerleaders. The game exemplifies national pride. The national anthem is played, flags are unfurled, and uniformed players charge up and down the field like an army in the throes of often violent conflict. The teams' huddles divide the game into small planning sessions for the next play.

In the United States, the National Football League (NFL) oversees the sport and, like any successful business, wants to score in new markets. The NFL first tackled Europe in 1991, with plans to establish American football there. After years of failed attempts, NFL Europe emerged as six teams, five of which were based in Germany (such as the Berlin Thunder, the Cologne Centurions, and the Hamburg Sea Devils). Earlier teams established in Spain had failed.

Why did American football triumph in Germany but fail in Spain? An excellent metaphor for Spanish culture is the bullfight, an ancient pursuit. In tradition-bound Spain, bullfights are often held in 2,000-year-old Roman amphitheaters. Rather than a competitive sport, bullfighting is a ritual and an art. It is the demonstration of style and courage by the matador, the hero who fights the bulls. If the matador has per-

formed well, he receives a standing ovation by the crowds, who wave white handkerchiefs or throw hats and roses into the ring. The bullfight symbolizes Spanish culture by combining a passionate celebration of life with an elaborate system of rituals, a grandiose and artistic spectacle with blood, violence, and danger. In the hearts of the Spanish people, American football cannot attain such heights.

What accounts for American football's early success in Germany? For one, the sport strongly emphasizes the traditional German traits of rules and order. In Germany, rules are many and conformity is valued. For instance, German parks occasionally have sections marked by signs where you are "permitted" to throw a stick to your dog. Germans can also be very time conscious. They know how to allocate time efficiently, and frown upon tardiness. The tendency is similar to American football, where the stop-and-go pace is timed to the second.

A popular metaphor for German culture is the symphony. In fact, two of the most revered symphonic composers—Bach and Beethoven—were German. Germans are drawn to the symmetry and order of the symphony. A conductor brings together the distinctive talents of individual performers to produce a unified sound. Like a symphony, football depends on a strong leader—the quarterback—who unites the

distinctive talents of the players so they perform as one. At halftime, the crowd is treated to the spectacle of a huge marching band and numerous other performers, all synchronized to the highest degree. Preparation, timing, precision, conformity, and an understanding of the individual's contribution to the "score" underlie both symphonic performances and American football.

The major reason for NFL's failure in Europe has been its inability to win over Europeans shaped by ancient cultures and wedded to soccer (called *football* in most of the world). Soccer is woven into the fabric of European society. It is an outlet for inter-European rivalries that in earlier times manifested as armed conflict. Although superstars such as David Beckham emerge, soccer emphasizes a group effort—unity aimed at achieving a common goal.

The United States is a mixture of many cultures that form a multifaceted collection of ethnic identities. By contrast, Europe is home to many more ethnicities that lack the integration of the United States. Europeans have made great strides toward creating an all-encompassing European culture, but the difficulties encountered with unification reveal how individual nations are unwilling to give up their cultural identities in favor of some larger European Union ideal. Thus, the appeal of American football has varied from country to country as a function of cultural differences. Most Europeans view the sport as a perversion of soccer. It represents the American headstrong attitude, with emphasis on violent conflict. From the perspective of many Europeans, the NFL tried to push an inferior product on a market long loyal to soccer. The NFL spent countless dollars promoting its teams, largely to no avail. In the end, national culture triumphed. In 2007, the NFL closed its European franchise. ◄

Sources: Van Bottenburg, M. (2003). Thrown for a Loss: American Football and the European Sport Space. *American Behavioral Scientist* 46 (11): 1150–62; NFL Europe. Retrieved November 2005 from en.wikipedia.org/wiki/NFL_Europe; National Football League (NFL Europe). Retrieved November 2005 from www.nfleurope.com; White, E. (2003). "Is Europe Ready for Some Football?—NFL Drafts Dolls, Actors in $1.6 Million Campaign to Promote the Super Bowl." *Wall Street Journal,* Jan. 15, B4; Gannon, M. J., and Associates. (1994). *Understanding Global Cultures: Metaphorical Journeys Through 17 Countries.* Thousand Oaks, CA: Sage.

The Challenge of Crossing Cultural Boundaries

In cross-border business, we step into different cultural environments characterized by unfamiliar languages and unique value systems, beliefs, and behaviors. We encounter customers and business partners who display differing lifestyles, norms, and consumption behaviors. These differences influence all dimensions of international business. Often, they get in the way of straightforward communication, representing one of the four risks associated with international business that we introduced in Chapter 1. We highlight these risks in Exhibit 5.1. **Cross-cultural risk** is defined as a situation or event where a cultural miscommunication puts some human value at stake.

Cross-cultural risk A situation or event where a cultural miscommunication puts some human value at stake.

Culture The learned, shared, and enduring orientation patterns in a society. People demonstrate their culture through values, ideas, attitudes, behaviors, and symbols.

Cross-cultural risk arises routinely in international business because of the diverse cultural heritage of the participants. **Culture** refers to the learned, shared, and enduring orientation patterns in a society. People demonstrate their culture through values, ideas, attitudes, behaviors, and symbols.

Culture affects even simple greetings and partings. Greeting ceremonies are a deeply embedded cultural marker and evolve over many centuries. They specify such behaviors as how far apart to stand, what to say, and whether or not to touch or smile. The ceremonies may vary as a function of the age, gender, or status of the greeters. What people say in greeting each other also varies. For example, in China, friends express thoughtfulness by asking each other whether they have had their meal yet. In Turkey, a typical greeting is "What is new with you?" When meeting a person for the first time, the common question is "Where in the country do you come from?" in an effort to establish some commonality with the other party. The Japanese, who still exercise formal greeting and parting rituals, routinely apologize to the other party just before ending a telephone conversation.

Exhibit 5.1

The Four Major Risks in
International Business
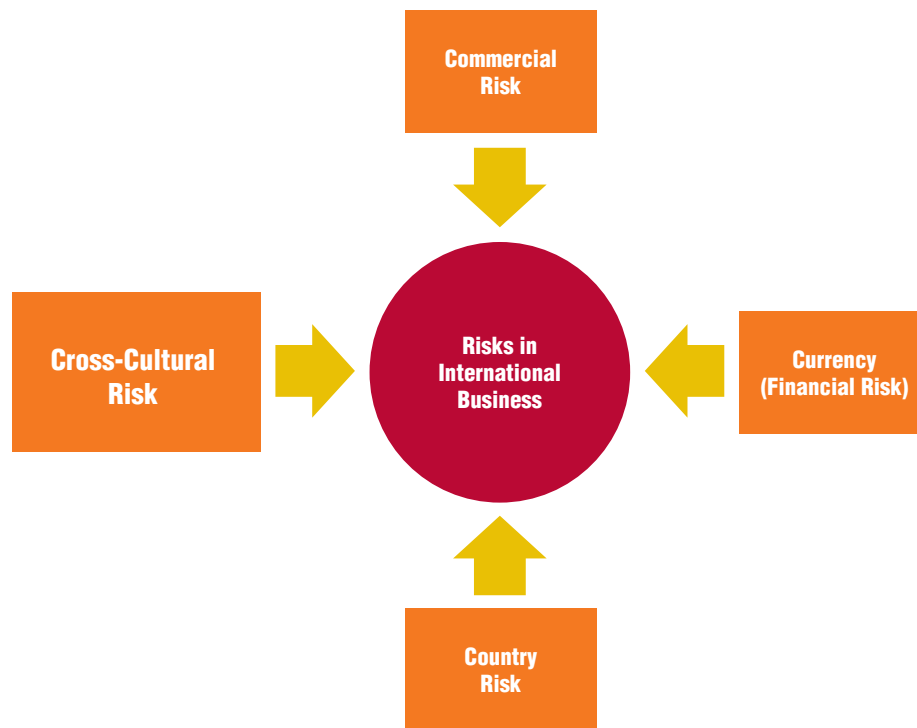
Unlike political, legal, and economic systems, culture has proven very difficult to identify and analyze. Its effects on international business are deep and broad. Culture influences a range of interpersonal exchange as well as value-chain operations such as product and service design, marketing, and sales. Managers must design products and packaging with culture in mind, even regarding color. While red may be beautiful to the Russians, it is the symbol of mourning in South Africa. What is an appropriate gift for business partners also varies around the world. While items such as pens are universally acceptable, others may not be appropriate. Examples include sharp items such as knives or scissors, which imply cutting off the relationship or other negative sentiments, chrysanthemums, which are typically associated with funerals, and handkerchiefs, which suggest sadness.

Most companies want their employees to learn about other cultures and acquire a degree of cross-cultural proficiency. In California's Silicon Valley, where IT firms are concentrated, Intel offers a seminar to its staff called "Working with India." The seminar aims to help employees work more effectively with the estimated 400,000 Indian nationals in the valley. Several other Silicon Valley firms offer similar training. Another computer firm, AMD, flies IT workers from India to its facilities in Texas for a month of cultural training with U.S. managers. Workers role-play, pretending to be native Indians, and study subjects like Indian political history, Indian movies, and the differences between Hinduism and other Indian religions. Training includes lessons on assigning work (Indian workers are likely to agree to aggressive timelines and yet may not inform a manager when falling behind, so managers should make sure

Limited interaction between societies, such as native Kenyans and Russians or Europeans, can magnify differences in values, behaviors, and symbols. In contrast, these differences are minimized with increased interaction.

timelines are reasonable), preparing food (to help those who practice Jainism, company cafeterias should clearly distinguish vegan from vegetarian food), and socializing (since it's polite to initially decline an invitation to a colleague's home, managers should offer more than once).[1]

Cross-cultural risk is exacerbated by **ethnocentric orientation**—using our own culture as the standard for judging other cultures. Most of us are brought up in a single culture; we have a tendency to view the world primarily from our own perspective. Ethnocentric tendencies are a characteristic of virtually every society, and entail the belief that one's own race, religion, or ethnic group is somehow superior to others. Howard Perlmutter described ethnocentric views as "home-country orientation."[2] He argued that managers engaged in cross-border business should give up their ethnocentric orientations in favor of a polycentric or geocentric orientation. **Polycentric orientation** refers to a host-country mindset where the manager develops a greater affinity with the country in which she or he conducts business. **Geocentric orientation** refers to a global mindset where the manager is able to understand a business or market without regard to country boundaries. Geocentric tendencies can be likened to a cognitive orientation that combines an openness to, and awareness of, diversity across cultures.[3] Managers with a geocentric orientation make a deliberate effort to develop skills for successful social behavior with members of other cultures.[4] They develop new ways of thinking, learn to analyze cultures, and avoid the temptation to judge different behavior as somehow inferior. They learn to appreciate the best that humans have produced, no matter where it was developed.[5]

Unfamiliar cultures may be ever present in domestic as well as international dealings. Buyers visit from abroad to make deals, the firm may source from suppliers located in distant countries, and employees increasingly have diverse cultural backgrounds. For example, Maurice Dancer is the head concierge at The Pierre—a luxury hotel in New York City. In 2005, Taj Hotels, Resorts and Palaces, a subsidiary of Tata, the largest company in India, acquired the management contract of The Pierre. In addition to adapting his management style to fit the corporate culture of the new owners, Maurice must also adapt to certain aspects of Indian culture, demonstrated in Taj's administrative style. Maurice also manages employees from Asia, Europe, and Latin America. These employees bring idiosyncrasies to their jobs characteristic of their home countries. For example, Asians tend to be reserved when dealing with customers. In the past, Maurice had to encourage Asian subordinates to be more outgoing. Finally, much of The Pierre's clientele is foreign-born. Without even leaving the United States, Maurice interacts with a wide variety of foreign cultures every day.

The cross-cultural integration of firms like The Pierre is yet another manifestation of globalization. But globalization is leading to convergence of cultural values as well. While people around the world are not inclined to renounce their cultural values, common norms and expectations of behavior are gradually emerging. In addition, many universal values apply to cross-cultural encounters. Keep in mind that people everywhere are appreciative if you treat them with respect, try to speak their language, and show genuine interest in them.

Managers regularly risk committing embarrassing cultural blunders. Cross-cultural miscommunication can ruin business deals, hurt sales, or harm the corporate image. In this chapter, we address the risks that cultural miscommunication can pose in cross-cultural encounters. Today, developing an appreciation of, and sensitivity for, cultural differences has become an imperative for any manager.

Ethnocentric orientation
Using our own culture as the standard for judging other cultures.

Polycentric orientation A host-country mindset where the manager develops a greater affinity with the country in which she or he conducts business.

Geocentric orientation A global mindset where the manager is able to understand a business or market without regard to country boundaries.

Cross-cultural encounters are increasingly common. Maurice Dancer (far left), head concierge at The Pierre hotel in New York, interacts with a wide variety of international cultures every day, without even leaving the United States.

The Meaning of Culture: Foundation Concepts

A broad definition of culture was offered by Herskovits[6] as "the human made part of the environment." Culture incorporates both objective and subjective elements. Objective or tangible aspects of culture include tools, roads, television programming, architecture, and other physical artifacts. Subjective or intangible aspects of culture include norms, values, ideas, customs, and other meaningful symbols.

Geert Hofstede,[7] a well-known Dutch organizational anthropologist, views culture as a "collective mental programming" of people. The "software of the mind," or how we think and reason, differentiates us from other groups. Such intangible orientations shape our behavior. Another scholar, Harry Triandis,[8] views culture as an interplay of sameness and differences; all cultures are simultaneously very similar and very different. While as human beings we share many commonalities and universals, as groups of people or societies we exhibit many differences. For example, some cultures are more complex than others. Some cultures are more individualistic, while others are more collectivist. Some cultures impose many norms, rules, and constraints on social behavior, while others impose very few.

Culture evolves within each society to characterize its people and to distinguish them from others. First, it captures how the members of the society live—for instance, how they feed, clothe, and shelter themselves. Second, it explains how members behave toward each other and with other groups. Third, it defines the beliefs and values of members and how they perceive the meaning of life.

Having described what culture is, it is also important to define what culture is *not*. Culture is:

- *Not right or wrong*. Culture is relative. There is no cultural absolute. People of different nationalities simply perceive the world differently. They have their particular ways of doing things, and do not fit any one standard. Each culture has its own notions of what is acceptable and unacceptable behavior. For instance, in some Islamic cultures, a wife cannot divorce her husband. In many countries, nudity is entirely acceptable on TV. In Japan and Turkey, wearing shoes in the home is taboo.

- *Not about individual behavior*. Culture is about groups. It refers to a collective phenomenon of shared values and meanings. Thus, while culture defines the collective behavior of each society, individuals often behave differently. For instance, in most countries, men wear their hair short. But a few mavericks have very long hair and stand out among their peers. In Australia, Canada, Europe, and the United States, some men wear makeup. Such nonconformist behavior does not represent the cultural values of the larger population.

- *Not inherited*. Culture is derived from the social environment. People are not born with a shared set of values and attitudes. Children gradually acquire specific ways of thinking and behaving as they are raised in a society. For example, in the United States, children usually acquire values of individualism and Christianity. But in China, children learn to depend on family members and acquire values based on Confucianism. Culture is passed from generation to generation—from parents, teachers, mentors, peers, and leaders. Modern methods of communication, including transnational media, play an enormous role in transmitting culture.

This process of learning the rules and behavioral patterns appropriate to one's society is called **socialization**. In other words, socialization is cultural learning. Through socialization, we acquire cultural understandings and orientations that are shared by society. Acquiring cultural norms and patterns is a subtle process—we adapt our behavior unconsciously and unwittingly.

Socialization The process of learning the rules and behavioral patterns appropriate to one's given society.

Acculturation The process of adjusting and adapting to a culture other than one's own.
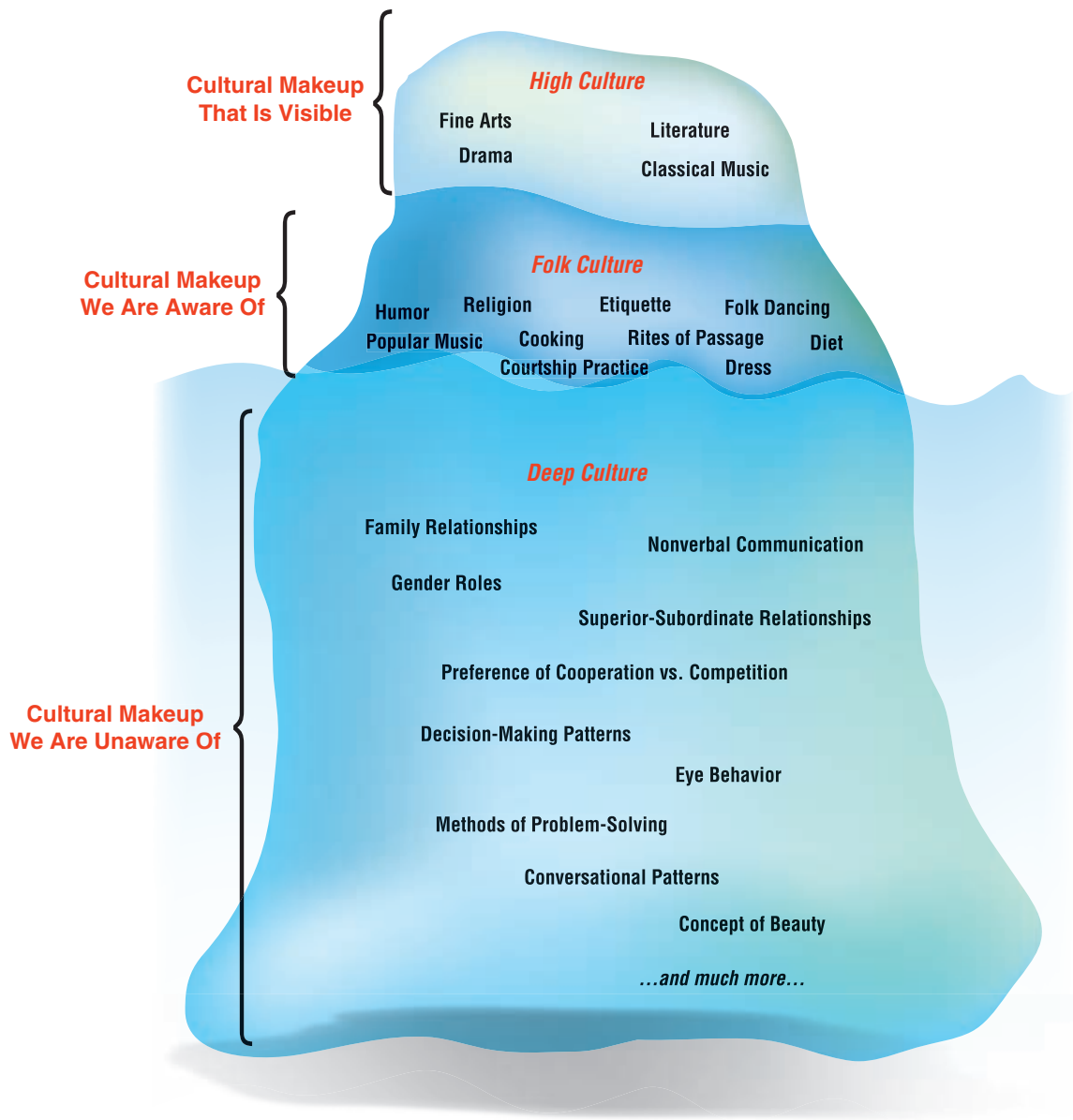
The process of adjusting and adapting to a culture *other than one's own* is called **acculturation**. It is commonly experienced by people who live in other countries for extended periods; for example, expatriate workers.

More than any other feature of human civilization, culture signals the differences among societies on the basis of language, habits, customs, and modes of thought. Yet most of us are not completely aware of how culture affects our behavior until we come into contact with people from other cultures.

Anthropologists use the iceberg metaphor to understand the nature of culture. Culture is likened to an iceberg: Above the surface, certain characteristics are visible, but below, unseen to the observer, is a massive base of assumptions, attitudes, and values that strongly influence decision making, relationships, conflict, and other dimensions of international business. While we are conditioned by our own cultural idiosyncrasies, we are yet unaware of the nine-tenths of our cultural makeup that exist below the surface. In fact, we are often not aware of our own culture unless we come in contact with another one. Exhibit 5.2 illustrates the iceberg concept of culture. The distinction is between three layers of awareness: high culture, folk culture, and deep culture.

Exhibit 5.2

Culture as an Iceberg

Cultural Makeup That Is Visible

High Culture

Fine Arts
Drama
Literature
Classical Music

Cultural Makeup We Are Aware Of

Folk Culture

Humor   Religion   Etiquette   Folk Dancing
Popular Music   Cooking   Rites of Passage   Diet
Courtship Practice   Dress

Cultural Makeup We Are Unaware Of

Deep Culture

Family Relationships
Nonverbal Communication
Gender Roles
Superior-Subordinate Relationships
Preference of Cooperation vs. Competition
Decision-Making Patterns
Eye Behavior
Methods of Problem-Solving
Conversational Patterns
Concept of Beauty
…and much more…

Why Culture Matters in International Business

Effective handling of the cross-cultural interface is a critical source of a firm's competitive advantage. Managers need to develop not only empathy and tolerance toward cultural differences, but also acquire a sufficient degree of factual knowledge about the beliefs and values of foreign counterparts. Cross-cultural proficiency is paramount in many managerial tasks, including:

- Developing products and services
- Communicating and interacting with foreign business partners
- Screening and selecting foreign distributors and other partners
- Negotiating and structuring international business ventures
- Interacting with current and potential customers from abroad
- Preparing for overseas trade fairs and exhibitions
- Preparing advertising and promotional materials[9]

Let's consider specific examples of how cross-cultural differences may complicate workplace issues:[10]

Teamwork. Cooperating to achieve common organizational goals is critical to business success. But what should managers do if foreign and domestic nationals don't get along with each other? Try to sensitize each group to differences and develop an appreciation for them? Rally the groups around common goals? Explicitly reward joint work?

Lifetime employment. Workers in some Asian countries enjoy a paternalistic relationship with their employers and work for the same firm all their lives. The expectations that arise from such devoted relationships can complicate dealings with outside firms. Western managers struggle with motivating employees who expect they will always have the same job regardless of the quality of their work.

Pay-for-performance system. In some countries, merit is often not the primary basis for promoting employees. In China and Japan, a person's age is the most important determinant in promoting workers. But how do such workers perform when Western firms evaluate them using performance-based measures?

Organizational structure. Some companies prefer to delegate authority to country managers, creating a decentralized organizational structure. Others are characterized by autocratic structures with power concentrated at regional or corporate headquarters. Firms may be entrepreneurial or bureaucratic. But how can you get a bureaucratic supplier to be responsive about demands for timely delivery and performance?

Union-Management relationships. In Germany, union bosses hold the same status as top-level managers and are required to sit on corporate boards. In general, European firms have evolved a business culture in which workers enjoy a more equal status with managers. This approach can reduce the flexibility of company operations if union representatives resist change.

Attitudes toward ambiguity. In each country, nationals possess a unique capacity to tolerate ambiguity. For example, some bosses give exact and detailed instructions on work to be performed, whereas others give ambiguous and incomplete instructions. If you are not comfortable working with minimum guidance or taking independent action, then you may have difficulty fitting into some cultures.

To gain a more practical perspective on culture's role in business, let's take the example of doing business in Japan. In the West, "the customer is king," but in Japan, "the customer is God." Whenever customers enter retail stores in Japan, they are greeted with vigorous cries of "Welcome" and several choruses of "Thank

you very much" when they leave. In some department stores, executives and clerks line up to bow to customers at the beginning of the business day. If customers have to wait in line—which is rare—they receive a sincere apology from store personnel. Japanese firms value maintaining face, harmony, and good standing with customers and the business community. Culturally, the most important Japanese values are tradition, patience, respect, politeness, honesty, hard work, affiliation, group consensus, and cooperation.

Japan's orientation to customer service derives from its national culture. Good form, top product quality, and after-sale service are the keys to success for doing business in Japan. The Japanese put tremendous emphasis on providing excellent customer service. Japanese car dealers typically offer pickup and delivery for repair service and even make new-car sales calls to customers' homes. Nissan and Toyota use customer satisfaction surveys to evaluate their dealers. In the banking industry, personal bankers maintain relationships by calling on customers at their offices or by canvassing entire neighborhoods. They may help customers sell or buy homes, find outlets for merchandise sales, provide tax advice, or locate tenants for new buildings. Japanese taxi drivers spend spare moments shining their cabs and often wear white gloves. Trains are scheduled down to the second.

Japan is a small country (about the size of California) with nearly half the population of the United States. A densely populated and homogenous society has encouraged the development of a cohesive and polite culture. A focus on interpersonal relationships helps the Japanese avoid conflict and preserve harmony. Another key element of the Japanese culture is the emotional construct of *amae,* roughly translated as "indulgent dependence," which is a critical part of child-rearing in Japan. While Western mothers teach their children to be independent, Japanese mothers instill a sense of emotion-laden dependence in their children. Scholars believe that deeply felt *amae* guides social interactions in adulthood. The relationship between a senior and a junior is analogous to mother-child amae. Filial piety—respect for one's parents and elders—is the foundation of the Confucian ethic. Amae and the Confucian parent-child relationship provide the basis for all other relationships.

At the beginning of every working day, many firms have a group meeting intended to build harmony and team spirit, and personnel even do calisthenics together. Training of new store personnel is done in groups. The group trains together, is evaluated collectively, and may even live together. The group discovers the sources of problems and fixes them as a team. Training is very detailed. Stores provide instructions on how to greet people, what tone of voice to use, and how to handle complaints. Stores attach much weight to customer feedback; they typically make a detailed report to the manufacturer on any product defects and return the product to the manufacturer for careful analysis. Manufacturers and service suppliers design their offerings based on complaints and comments received from customers.[11]

Nevertheless, Japan is slowly changing. Modern Japan operates increasingly according to contemporary values, which Japan gradually is importing from abroad. Discount stores modeled on Carrefour, Toys "Я" Us, and Wal-Mart are beginning to displace department stores as the preferred shopping venues, especially among the younger generation. Given a choice between attentive personal service and the lowest possible prices, Japanese citizens increasingly make the trade-off.

The *Recent Grad in IB* feature highlights the cross-cultural experiences of Chinese-born Lawrence Yu, who had first-hand experience with living, studying, and working in the United States. Having an inquiring mind and being open to new experiences certainly helped Lawrence in bridging cultural gaps.

Since it opened to foreign investors in 1979, China's economy has been growing rapidly. Lawrence Yu lived in China and witnessed amazing changes there as a teenager during the 1990s. He ate at McDonald's, wore Nike shoes, and watched NBA games. He became very interested in the United States, which has a literal Chinese translation of a "beautiful country."

At the age of sixteen, Lawrence came to the United States as a foreign exchange student. After graduating from Mitchell High School, he earned a degree from Michigan State University in supply-chain management. While in college, he took a study-abroad trip to Mexico during a winter break. Lawrence practiced Spanish, lived with a Mexican family, attended business development conferences, and toured manufacturing firms.

While interning at Whirlpool Corporation in Benton Harbor, Michigan, Lawrence created an asset-tracking system for the global procurement group and conducted market research for Whirlpool in China. He also visited Whirlpool's Asia headquarters in Hong Kong and their China branch in Shenzhen. He became familiar with the local sales and marketing teams and consequently noticed opportunities for improvement and best-practice sharing, which he presented to Whirlpool executives at their U.S. headquarters. Following the summer at Whirlpool, he completed another eight-month internship with Unilever North America in Chicago.

After graduation, Lawrence worked at Dell Inc. as a master scheduler for notebook computers. He was primarily responsible for MRP forecasting, E&O (end-of-life and obsolete) planning, lead-time setting, and product transition management. Dell's notebook computer manufacturer, which ships over 7 million laptops annually, is located in Penang, Malaysia. Since Chinese is the first language of most of the Malaysian team members, Lawrence was able to communicate with them, which helped to increase communication quality and work efficiency. Dell management sent him to Dell China to work on a project with the procurement group in Shanghai. With the knowledge of Dell business that he gained in the United States, and with his language ability and strong interpersonal skills, Lawrence successfully fulfilled the mission of the trip and won praise from senior-level management.

After working as a master scheduler for over a year, Lawrence was recruited to Dell Global Logistics as a logistics program manager. His extended team managed Dell's inbound logistics business globally, with total spending over $40 million annually. In addition to daily operational tasks, his responsibilities also included weekly/monthly/quarterly business reviews, financial analysis, contract negotiations, and process-improvement projects. With the responsibility to oversee eight U.S. logistics centers and a 100-truck fleet, Lawrence gained people-management skills and learned how to make decisions under pressure, even with incomplete information.

In August 2006, Lawrence was promoted, and became the youngest Global Supply Manager at Dell, at the age of 24. He was responsible for managing Dell's $1 billion annual spending in memory (semiconductor) products. In this role, he negotiated prices with suppliers such as Samsung, Siemens, and Kingston.

Lawrence's major: Supply Chain Management

Objectives: Make a difference in the world by excelling in international business

Internships during college: Whirlpool Corporation and Unilever North America

Jobs held since graduating:
- Global Supply Manager, Dell Inc., Austin, Texas
- Logistics Program Manager, Dell Inc., Austin, Texas
- Notebook Master Scheduler, Dell Inc., Austin, Texas

Lawrence's Advice for an International Business Career

"While it was risky, I am glad that I did it. Language barriers, cultural differences, and being apart from family were all serious difficulties. Language can be improved over time, and culture can be learned while you live in that culture. I got used to living alone pretty fast. In addition to my formal education in the classroom, by living, studying, and working in another country, I was naturally learning every day. The knowledge you gain from just having been in another country cannot be learned any other way. From living on my own since the age of sixteen, I've grown a lot, physically and mentally. I now have greater confidence in whatever I pursue than I ever had before, thanks to my international experience!"

National, Professional, and Corporate Culture

While cultural idiosyncrasies influence cross-border business, we cannot attribute all difficulties to differences in national culture. Exhibit 5.3 suggests that employees are socialized into three cultures: *national culture, professional culture,* and *corporate culture.*[12] Working effectively within these overlapping cultures is a major challenge. The influence of professional and corporate culture tends to grow as people are socialized into a profession and workplace.
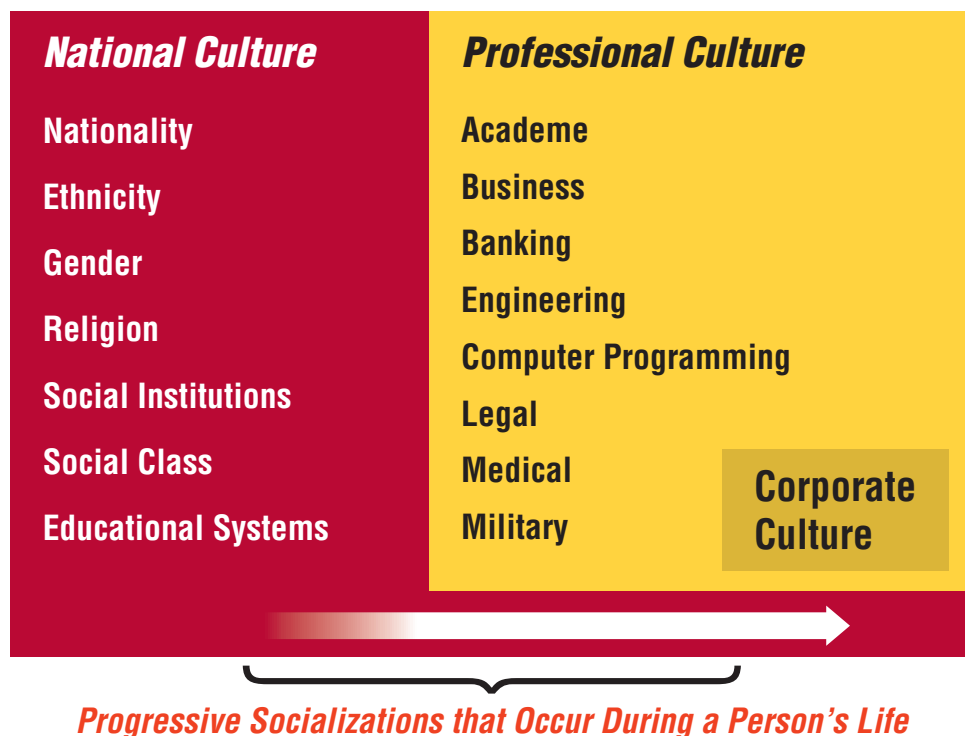
Most companies have a distinctive set of norms, values, beliefs, and modes of behavior that distinguish them from other organizations. Such differences are often as distinctive as the national culture. For example, Britain and the United States share a language and have a similar economic system. Two firms from the same country can have vastly different organizational cultures. The age of a company and its product portfolio both influence its corporate culture. For example, Lloyds, a large British insurance firm, has a conservative culture that may be slow to change. Virgin, the British music and travel provider, has an experimental, risk-taking culture.

These cultural layers present yet another challenge for the manager: To what extent is a particular behavior attributable to national culture? In companies with a strong organizational culture, it is hard to determine where the corporate influence begins and the national influence ends. For example, it is difficult to pinpoint the extent to which the culture of French cosmetics firm L'Oreal is due to national or corporate influences. The French have long been experienced in the cosmetics and fashion industries, but L'Oreal is a global firm staffed by managers from around the world. Their influence, combined with management's receptiveness to world culture, has shaped L'Oreal into a unique organization that is distinctive within French culture. Thus, in international business, the tendency to attribute all differences to national culture is simplistic.

Exhibit 5.3

National, Professional, and Corporate Culture

SOURCE: From *Cultural Enviroment of International Business*, 3rd edition by Terpstra, David. Copyright © 1991. Reprinted with permission of South-Western, a division of Thomson Learning.

National Culture	Professional Culture	
Nationality	Academe	
Ethnicity	Business	
Gender	Banking	
Religion	Engineering	
Social Institutions	Computer Programming	
Social Class	Legal	**Corporate Culture**
Educational Systems	Medical	
	Military	

Progressive Socializations that Occur During a Person's Life

Interpretations of Culture

To explore the role of culture in international business, scholars have offered several analytical approaches. In this section, we review three such approaches: cultural metaphors, stereotypes, and idioms.

Cultural Metaphors

M. J. Gannon[13] offered a particularly insightful analysis of cultural orientations. A **cultural metaphor** refers to a distinctive tradition or institution strongly associated with a particular society. As you saw in the opening vignette, bullfighting is a metaphor for the culture of Spain. A cultural metaphor is a guide to deciphering a person's attitudes, values, and behavior.

Cultural metaphor A distinctive tradition or institution strongly associated with a particular society.

American football, for instance, is a cultural metaphor for distinctive traditions in the United States. The Swedish *stuga* (a cottage or summer home) is a cultural metaphor for Swedes' love of nature and a desire for individualism through self-development. Other examples of cultural metaphors include the Japanese garden (tranquility), the Turkish coffeehouse (social interaction), the Israeli kibbutz (community), and the Spanish bullfight (ritual). The Brazilian concept of *jeito* or *jeitinho Brasileiro* refers to an ability to cope with the challenges of daily life through creative problem-solving or manipulating the arduous bureaucracy of the country. In the Brazilian context, manipulation, smooth-talking, or patronage are not necessarily viewed negatively, because individuals have to resort to these methods to conduct business.

Stereotypes

Stereotypes are generalizations about a group of people that may or may not be factual, often overlooking real, deeper differences. The so-called *mañana* syndrome (tomorrow syndrome) refers to the stereotype that Latin Americans tend to procrastinate. To a Latin American, mañana means an indefinite future. A business promise may be willingly made but not kept since who knows what the future will bring? Many uncontrollable events may happen, so why fret over a promise?

Stereotype Generalization about a group of people that may or may not be factual, often overlooking real, deeper differences.

Stereotypes are often erroneous and lead to unjustified conclusions about others. Nevertheless, virtually all people employ stereotypes, either consciously or unconsciously, because they are an easy means to judge situations and people. Despite the harm that stereotypes can cause, scholars argue that there are real differences among groups and societies. We learn about these differences by examining descriptive rather than evaluative stereotypes.[14] For example, here is a sample of widely held stereotypes of people from the United States:

- Argumentative and aggressive, in comparison to the Japanese, who tend to be reserved and humble
- Individualistic lovers of personal freedom, in comparison to the Chinese, who tend to be group oriented
- Informal and nonhierarchical, in comparison to the Indians, who believe titles should be respected
- Entrepreneurial and risk-seeking, in comparison to the Saudi Arabians, who tend to be conservative, employing time-honored methods for getting things done
- Direct and interested in immediate returns, in comparison to the Latin Americans, who usually take time to be social and get to know their business partners

Idioms

An **idiom** is an expression whose symbolic meaning is different from its literal meaning. It is a phrase that you cannot understand by knowing only what the individual words in the phrase mean. Idioms exist in virtually every culture. People

Idiom An expression whose symbolic meaning is different from its literal meaning.

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	"*Janteloven*" 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

Exhibit 5.4   Idioms that Symbolize Cultural Values

often use them as a short way of expressing a larger concept. For example, "to roll out the red carpet" is to extravagantly welcome a guest—no red carpet is actually used. The phrase is misunderstood when interpreted in a literal fashion. In Spanish, the idiom "*no está el horno para bolos*" literally means "the oven isn't ready for bread rolls." However, the phrase is understood as "the time isn't right." In Japanese, the phrase "*uma ga au*" literally means "our horses meet," but the everyday meaning is "we get along with each other." As with metaphors and stereotypes, managers can study national idioms to develop a better understanding of cultural values. Exhibit 5.4 offers several expressions that reveal cultural traits of various societies.

Hall's High- and Low-Context Cultures

Low-context culture A culture that relies on elaborate verbal explanations, putting much emphasis on spoken words.

Renowned anthropologist Edward T. Hall[15] made a distinction between cultures characterized as "low context" and "high context." **Low-context cultures** rely on elaborate verbal explanations, putting great emphasis on spoken words. As Exhibit 5.5 shows, the low-context countries tend to be in northern Europe and North America, which have a long tradition of rhetoric, placing central importance on the delivery of verbal messages. The primary function of speech in such cultures is to express one's ideas and thoughts as clearly, logically, and convincingly as possible. Communication is direct and explicit, and meaning is straightforward. For example, in negotiations Americans typically come to the point and do not beat around the bush. Low-context cultures tend to value expertise and performance and conduct negotiations as efficiently as possible. These cultures use specific, legalistic contracts to conclude agreements.

High-context culture A culture that emphasizes nonverbal messages and views communication as a means to promote smooth, harmonious relationships.

By contrast, **high-context cultures** such as Japan and China emphasize nonverbal messages and view communication as a means to promote smooth, harmonious relationships. They prefer an indirect and polite face-saving style that emphasizes a mutual sense of care and respect for others. They are on guard not to embarrass or offend others. This helps explain why it is difficult for Japanese people to say "no" when expressing disagreement. They are much more likely to say "it is different," an ambiguous response. In East Asian cultures, showing impatience, frustration, irritation, or anger disrupts harmony and is considered rude and offensive. Asians tend to be soft-spoken, and people typically are sensitive to context and nonverbal cues (body language). For example, at a business luncheon in Tokyo, the boss is almost always the senior-looking individual seated farthest away from the entrance to the room. In Japan, superiors are given such favored seating as a show of respect. To succeed in Asian cultures, it is critical for man-
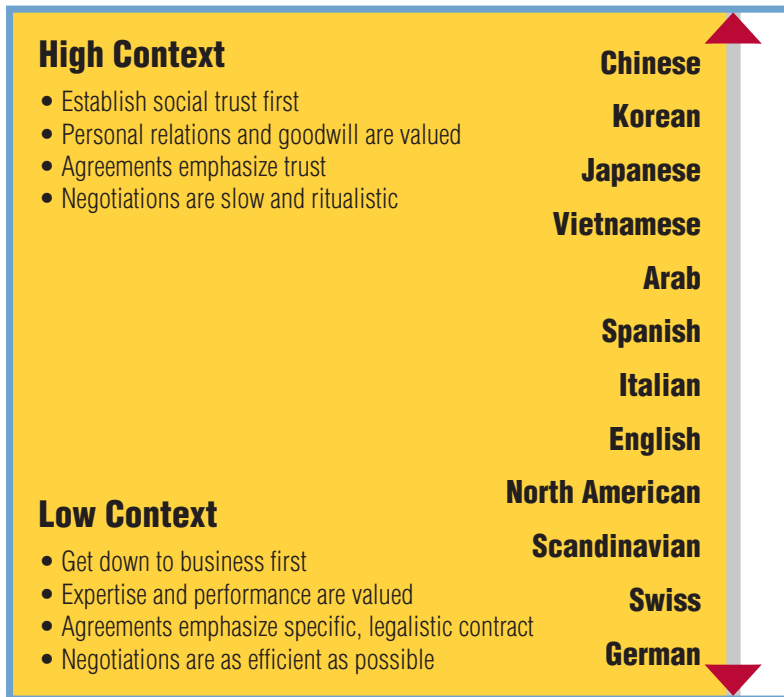
Exhibit 5.5

Hall's High and Low-Context
Typology of Cultures
SOURCE: Adapted from Hall, Edward T. (1975).
Beyond Culture, New York: Anchor.

High Context

- Establish social trust first
- Personal relations and goodwill are valued
- Agreements emphasize trust
- Negotiations are slow and ritualistic

Chinese
Korean
Japanese
Vietnamese
Arab
Spanish
Italian
English
North American
Scandinavian
Swiss
German

Low Context

- Get down to business first
- Expertise and performance are valued
- Agreements emphasize specific, legalistic contract
- Negotiations are as efficient as possible

agers to have a keen eye for nonverbal signs and body language. Negotiations tend to be slow and ritualistic, and agreement is founded on trust.

Hall's work has gained renewed importance because of the explosion of business interaction between East Asia and the rest of the world. However, the notion of high- and low-context cultures plays a role even in communications between people who speak the same language. For instance, British managers sometimes complain that presentations by U.S. managers are too detailed. Everything is spelled out, even when meanings seem perfectly obvious.

Hofstede's Research on National Culture

Dutch anthropologist Geert Hofstede conducted one of the early empirical studies of national cultural traits. He collected data on the values and attitudes of 116,000 employees at IBM Corporation, representing a diverse set of nationality, age, and gender. Hofstede conducted two surveys, one in 1968 and another in 1972. His investigation led Hofstede to delineate four independent dimensions of national culture, which we describe next.

Individualism versus Collectivism   Individualism versus collectivism refers to whether a person functions primarily as an individual or within a group. In individualistic societies, ties among people are relatively loose, and each person tends to focus on his or her own self-interest. These societies prefer individualism over group conformity. Competition for resources is the norm, and those who compete best are rewarded financially. Australia, Canada, the United Kingdom, and the United States tend to be strongly individualistic societies. In collectivist societies, by contrast, ties among individuals are more important than individualism. Business is conducted in the context of a group in which others' views are strongly considered. The group is all-important, as life is fundamentally a cooperative experience. Conformity and compromise help maintain group harmony. China, Panama, and South Korea are examples of strongly collectivist societies.

Individualism versus collectivism Describes whether a person functions primarily as an individual or within a group

Power distance Describes how a society deals with the inequalities in power that exist among people.

Power Distance   **Power distance** describes how a society deals with the inequalities in power that exist among people. Societies characterized by *high* power distance are relatively indifferent to inequalities and allow them to grow over time. There are substantial gaps between the powerful and the weak. Guatemala, Malaysia, the Philippines, and several Middle East countries are examples of countries that exhibit high power distance. By contrast, in societies with *low* power distance, the gaps between the powerful and weak are minimal. For instance, in Scandinavian countries such as Denmark and Sweden, governments institute tax and social welfare systems that ensure their nationals are relatively equal in terms of income and power. The United States scores relatively low on power distance.

Social stratification affects power distance. In Japan, almost everybody belongs to the middle class, while in India the upper stratum controls most of the decision making and buying power. In companies, the degree of centralization of authority and autocratic leadership determines power distance. In high power-distance firms, autocratic management styles focus power at the top and grant little autonomy to lower-level employees. In low power-distance firms, by contrast, managers and subordinates are more equal and cooperate more to achieve organizational goals.

Uncertainty avoidance The extent to which people can tolerate risk and uncertainty in their lives.

Uncertainty Avoidance   **Uncertainty avoidance** refers to the extent to which people can tolerate risk and uncertainty in their lives. People in societies with *high* uncertainty avoidance create institutions that minimize risk and ensure financial security. Companies emphasize stable careers and produce many rules to regulate worker actions and minimize ambiguity. Managers may be slow to make decisions before they investigate the nature and potential outcomes of several options. Belgium, France, and Japan are countries that score high on uncertainty avoidance. Societies that score *low* on uncertainty avoidance socialize their members to accept and become accustomed to uncertainty. Managers are entrepreneurial and relatively comfortable about taking risks, and make decisions relatively quickly. People accept each day as it comes and take their jobs in stride because they are less concerned about ensuring their future. They tend to tolerate behavior and opinions different from their own because they do not feel threatened by them. India, Ireland, Jamaica, and the United States are leading examples of countries with low uncertainty avoidance.

Masculinity versus femininity Refers to a society's orientation, based on traditional male and female values. Masculine cultures tend to value competitiveness, assertiveness, ambition, and the accumulation of wealth. Feminine cultures emphasize nurturing roles, interdependence among people, and taking care of less fortunate people.

Masculinity versus Femininity   **Masculinity versus femininity** refers to a society's orientation, based on traditional male and female values. Masculine cultures tend to value competitiveness, assertiveness, ambition, and the accumulation of wealth. They are characterized by men and women who are assertive, focused on career and earning money, and may care little for others. Typical examples include Australia and Japan. The United States is a moderately masculine society. Hispanic cultures are relatively masculine and display a zest for action, daring, and competitiveness. In business, the masculinity dimension manifests as self-confidence, proactiveness, and leadership. Conversely, in feminine cultures, such as the Scandinavian countries, both men and women emphasize nurturing roles, interdependence among people, and caring for less fortunate people. Welfare systems are highly developed and education is subsidized.

The Fifth Dimension: Long-Term versus Short-Term Orientation   The four dimensions of cultural orientation that Hofstede proposed have been widely accepted. They provide us with a tool to interpret cultural differences and a foundation for classifying countries. Various empirical studies have also found relationships between the four cultural orientations and geography, suggesting that nations can be similar (culturally close) or dissimilar (culturally distant) on each of the four orientations.

Yet, the Hofstede framework suffers from some limitations. First, as noted, the study is based on data collected during the period from 1968 to 1972. Much has changed since then, including successive phases of globalization, widespread exposure to transnational media, technological advances, and the role of women in the workforce. The framework fails to account for the convergence of cultural values that has occurred during the last several decades. Second, the Hofstede

findings are based on the employees of a single company—IBM—in a single industry, making it difficult to generalize. Third, the data were collected using questionnaires—not effective for probing some of the deep issues that surround culture. Finally, Hofstede did not capture all potential dimensions of culture.

Partly in response to this last criticism, Hofstede eventually added a fifth dimension to his framework: **long-term versus short-term orientation**. This dimension denotes the degree to which people and organizations defer gratification to achieve long-term success. That is, firms and people in cultures with a long-term orientation tend to take the long view to planning and living. They focus on years and decades. The long-term dimension is best illustrated by the so-called Asian values—traditional cultural orientations of several Asian societies, including China, Japan, and Singapore. These values are partly based on the teachings of the Chinese philosopher Confucius (K'ung-fu-tzu), who lived about 500 B.C. In addition to long-term orientation, Confucius advocated other values that are still the basis for much of Asian culture today. These include discipline, loyalty, hard work, regard for education, esteem for the family, focus on group harmony, and control over one's desires. Scholars often credit these values for the *East Asian miracle*, the remarkable economic growth and modernization of East Asian nations during the last several decades.[16] By contrast, the United States and most other Western countries emphasize a short-term orientation.

The Hofstede framework should be viewed as only a general guide, useful for a deeper understanding in cross-national interactions with business partners, customers, and value-chain members.

Key Dimensions of Culture

We saw in Exhibit 5.2 that there are numerous dimensions of national culture. We can group them into two broad dimensions: subjective and objective. The subjective dimension of culture includes values and attitudes, manners and customs, deal versus relationship orientation, perceptions of time, perceptions of space, and religion. The objective dimension of culture includes symbolic and material productions, such as the tools, roads, and architecture unique to a society. In this section, we examine key examples of each dimension.

Values and Attitudes

Values represent a person's judgments about what is good or bad, acceptable or unacceptable, important or unimportant, and normal or abnormal.[17] People develop attitudes and preferences based on their values. Attitudes are similar to opinions except that attitudes are often unconsciously held and may not have a rational basis. Prejudices are rigidly held attitudes, usually unfavorable and usually aimed at particular groups of people.[18] Typical values in North America, northern Europe, and Japan include hard work, punctuality, and the acquisition of wealth. People from such countries may misjudge those from developing economies who may not embrace such values. They may inaccurately judge the Bolivian housekeeper for not working hard enough or the Jamaican businessman for not being on time.

Deal versus Relationship Orientation

In deal-oriented cultures, managers focus on the task at hand and want to get down to business. At the extreme, such managers may even avoid small talk and other preliminaries. They prefer to seal agreements with a legalistic contract, and follow an impersonal approach to settling disputes. Leading examples of deal-oriented cultures include Australia, northern Europe, and North America. By contrast, in relationship-oriented cultures, managers put more value on affiliations with people. To them, it is important to build trust, rapport, and get to know the other party in

Long-term versus short-term orientation Denotes the degree to which people and organizations defer gratification to achieve long-term success.

In Japan, bowing is the norm in both business and personal settings. Here, Japanese Foreign Minister Yoriko Kawaguchi and a U.S. Trade Representative (left) bow to each other before a 2004 meeting.

Monochronic A rigid orientation to time, in which the individual is focused on schedules, punctuality, and time as a resource.

Polychronic A flexible, nonlinear orientation to time, in which the individual takes a long-term perspective and is capable of attending to multiple tasks simultaneously.

business interactions. For instance, it took nine years for Volkswagen to negotiate the opening of an automobile factory in China, a strongly relationship-oriented society. For the Chinese, Japanese, and many in Latin America, relationships are more important than the deal.[19] Trust is valued in business agreements. In China, *guanxi* (literally "connections") is deeply rooted in ancient Confucian philosophy, which values social hierarchy and reciprocal obligations. It stresses the importance of relationships within the family and between superiors and subordinates.

Manners and Customs

Manners and customs are ways of behaving and conducting oneself in public and business situations. Some countries are characterized by egalitarian, informal cultures, in which people are equal and work together cooperatively. In other countries, people are more formal, and status, hierarchy, power, and respect are very important. Customs that vary most worldwide are those related to eating habits and mealtimes, work hours and holidays, drinking and toasting, appropriate behavior at social gatherings, gift-giving, and the role of women. Handshaking varies across the world: limp handshakes, firm handshakes, elbow-grasping handshakes, and no handshake at all. In Southeast Asia, the handshake involves placing the palms together in front of the chest, as in praying. In Japan, bowing is the norm. In some settings it is appropriate to kiss the other's hand. In much of the world, people greet by kissing on both cheeks.[20] Gift-giving is a complex ritual practiced throughout much of the world. It is ingrained in Japanese culture, where it is usually a blunder to not offer a gift in initial meetings. The Middle East is characterized by generous gift-giving.

Perceptions of Time

In business, time dictates expectations about planning, scheduling, profit streams, and what constitutes lateness in arriving for work and meetings. For instance, Japanese managers tend to prepare strategic plans for extended periods such as the decade. The planning horizon for Western companies is much shorter, typically several years. Some societies are relatively more oriented to the past, others to the present, and still others to the future. People in past-oriented cultures believe that plans should be evaluated in terms of their fit with established traditions, customs, and wisdom. Innovation and change are infrequent and are justified to the extent they fit with past experience. Europeans are relatively past-oriented, insisting on the conservation of traditions and historical precedents.

By contrast, young countries like Australia, Canada, and the United States are relatively focused on the present. They can be characterized as having a **monochronic** orientation to time—a rigid orientation, in which the individual is focused on schedules, punctuality, and time as a resource. People in these cultures view time as linear, like a river flowing into the future, carrying workers from one activity to the next. In such cultures, where people are highly focused on the clock, managers make commitments, set deadlines, and adhere to a strict schedule of meetings and activities. Punctuality is a virtue—time is money. Throughout the day, workers glance at their watches, their computer's clock, or the clock on the wall. Investors are impatient and want quick returns. Managers have a relatively short-term perspective when it comes to investments and making money; performance is measured on a quarterly basis. In this way, people in the United States have acquired a reputation for being hurried and impatient. Indeed, the word *business* was originally spelled *busyness*.

By contrast, cultures in parts of Africa, Asia, Latin America, and the Middle East view time as elastic. Such cultures have a **polychronic** perspective on time. In poly-

chronic societies, people are capable of attending to multiple tasks simultaneously. Long delays are sometimes needed before taking action. Punctuality per se is relatively unimportant. Managers consider time commitments as relatively flexible. They place a higher value on relationships and spending time with other people. Managers do not adhere strictly to the clock and schedules. They are more likely to form lifelong relationships. Chinese and Japanese firms are future oriented, focusing not on how the firm will perform next quarter, but how it will perform 10 years from now. Large Japanese firms offer lifetime employment and invest heavily in employee training, expecting them to remain with the firm for 30 or 40 years. Latin Americans similarly have a flexible perception of time, and are more inclined to arrive late for appointments than people from other cultures. In the Middle East, strict Muslims view destiny as the will of God ("Inshallah" or "God willing" is a frequently used phrase) and downplay the importance of future planning. They perceive appointments as relatively vague future obligations.

Perceptions of Space

Cultures also differ in their perceptions of physical space; we have our own sense of personal space and feel uncomfortable if others violate it. Conversational distance is closer in Latin America than in northern Europe or the United States. When a North American national interacts with a Latin American, he or she may unconsciously back up to maintain personal space. Those who live in crowded Japan or Belgium have smaller personal space requirements than those who live in land-rich Russia or the United States. In Japan, it is common for employee workspaces to be crowded together in the same room, desks pushed against each other. One large office space might be used for 50 employees. North American firms partition individual workspaces and provide private offices for more important employees. In Islamic countries, close proximity may be discouraged between a man and a woman who are not married.

Religion

Religion is a system of common beliefs or attitudes concerning a being or a system of thought that people consider to be sacred, divine, or the highest truth. Religion also incorporates the moral codes, values, institutions, traditions, and rituals associated with this system. Almost every culture is underpinned by religious beliefs. Religion influences culture, and therefore business and consumer behavior, in various ways. Protestantism emphasizes hard work, individual achievement, and a sense that people can control their environment. The Protestant work ethic provided some of the basis for the development of capitalism.

In fundamentalist Islamic countries, Islam is the basis for government and legal systems as well as social and cultural order. Because people raised in Islamic cultures perceive God's will as the source of all outcomes, Muslims may be fatalistic and reactive. Islam's holy book, the Qur'an, prohibits drinking alcohol, gambling, usury, and immodest exposure. These prohibitions affect firms that deal in alcoholic beverages, resorts, entertainment, and women's clothing, as well as ad agencies, and banks and other institutions that lend money. A growing number of businesses are reaching out to Muslim communities. For example, Nokia launched a mobile phone that shows Muslims the direction toward Mecca, Islam's holiest site, when they pray. Heineken, the Dutch brewing giant, rolled out the nonalcoholic malt drink Fayrouz for the Islamic market.[21]

Exhibit 5.6 shows the dominant religions around the world. The major religions, based on number of adherents, are Christianity (2.1 billion), Islam (1.3 billion), Hinduism (900 million), Buddhism (376 million), Judaism (14 million), and Shintoism (4 million). Some people adhere to more than one belief system, such as the Japanese, who may practice both Buddhism and Shintoism. Although the exhibit displays the most common religion in each location, most countries are home to people of various beliefs.

Now that we have reviewed the subjective dimensions of culture, we turn to the objective dimensions of culture—symbolic and material productions.

Exhibit 5.6

World Religions

GREENLAND

ARCTIC

ALASKA

ICELAND

CANADA

UNITED KINGDOM

IRELAND

NETHER-LANDS

GE

BELGIUM

LUXEMBO

FRANCE

SWIT

MONACO

ANDORRA

SPAIN

PORTUGAL

PACIFIC OCEAN

UNITED STATES OF AMERICA

NORTH ATLANTIC OCEAN

MOROCCO

WESTERN SAHARA

ALGERIA

HAWAII

MEXICO

CUBA

DOMINICAN REPUBLIC

MAURITANIA

MALI

NI

JAMAICA

BELIZE

HAITI

PUERTO RICO

SENEGAL

BURKINA FASO

GUATEMALA

HONDURAS

GAMBIA

GUINEA-BISSAU

GUINEA

EL SALVADOR

NICARAGUA

TRINIDAD & TOBAGO

SIERRA LEONE

IVORY COAST

GHANA

TOGO

BENIN

NIG

COSTA RICA

PANAMA

VENEZUELA

GUYANA

FRENCH GUIANA

LIBERIA

CAME

GALAPAGOS ISLANDS

COLOMBIA

SURINAME

EQUATORIA GUINEA

ECUADOR

GAB

BRAZIL

PERU

BOLIVIA

SOUTH ATLANTIC OCEAN

PARAGUAY

URUGUAY

ARGENTINA

C H I L E

FALKLAND ISLANDS/ MALVINAS

SWEDEN

LATVIA

DENMARK

LITHUANIA

RUSSIA

NETHER-LANDS

BELARUS

BELGIUM

GERMANY

POLAND

LUXEMBOURG

CZECH REP.

UKRAINE

FRANCE

SLOVAKIA

LIECHTENSTEIN

SWITZERLAND

AUSTRIA

HUNGARY

MOLDOVA

SLOVENIA

CROATIA

ROMANIA

SAN MARINO

MONACO

BOSNIA-HERZEGOVINA

SERBIA AND MONTENEGRO

Black Sea

ANDORRA

BULGARIA

ITALY

MACEDONIA

ALBANIA

TURKEY

GREECE

ALGERIA

MALTA

CYPRUS

TUNISIA

LIBYA

ARCTIC OCEAN

NORWAY
SWEDEN
FINLAND
ESTONIA
LATVIA
DENMARK
LITHUANIA
RUSSIA
BELARUS
GERMANY
POLAND
CZECH REP.
LUXEMBURG
AUSTRIA
SLOVAKIA
CZ.
SLOVENIA
HUNGARY
MOLDOVA
CROATIA
ROMANIA
BOSNIA AND
HERZEGOVINA
SERBIA AND MONTENEGRO
BULGARIA
ITALY
MACEDONIA
ALBANIA
GREECE
TURKEY
TUNISIA
CYPRUS
SYRIA
LEBANON
ISRAEL
JORDAN
IRAQ
KUWAIT
LIBYA
EGYPT
SAUDI ARABIA
QATAR
UNITED ARAB EMIRATES
OMAN
NIGER
CHAD
ERITREA
YEMEN
SUDAN
DJIBOUTI
SOMALIA
CENTRAL AFRICAN REPUBLIC
ETHIOPIA
CAMEROON
CONGO REPUBLIC
UGANDA
KENYA
CONGO DEMOCRATIC REPUBLIC (ZAIRE)
RWANDA
BURUNDI
TANZANIA
ANGOLA
MALAWI
ZAMBIA
MOZAMBIQUE
NAMIBIA
ZIMBABWE
MADAGASCAR
MAURITIUS
RÉUNION
BOTSWANA
SWAZILAND
SOUTH AFRICA
LESOTHO

RUSSIA

KAZAKHSTAN
GEORGIA
AZERBAIJAN
ARMENIA
UZBEKISTAN
TURKMENISTAN
KYRGYZSTAN
TAJIKISTAN
AFGHANISTAN
IRAN
PAKISTAN
NEPAL
BHUTAN
INDIA
BANGLADESH
MYANMAR (BURMA)
LAOS
SRI LANKA
THAILAND
CAMBODIA
VIETNAM
PHILIPPINES
BRUNEI
MALAYSIA
SINGAPORE
INDONESIA

MONGOLIA
CHINA
NORTH KOREA
SOUTH KOREA
JAPAN
TAIWAN

PAPUA NEW GUINEA
SOLOMON ISLANDS
VANUATU
FIJI
NEW CALEDONIA

AUSTRALIA

NEW ZEALAND

PACIFIC OCEAN
INDIAN OCEAN

Legend

- Christianity
- Judaism
- Hinduism
- Islam
- Buddhism
- Nature religion
- Chinese religion
- Other groups

Symbolic Productions

A symbol can be letters, figures, colors, or other characters that communicate a meaning. For instance, the cross is the main symbol of Christianity. The red star was the symbol of the former Soviet Union. National symbols include flags, anthems, seals, monuments, and historical myths. These symbols represent nations and national values, and help to unite people. Mathematicians and scientists use symbols as types of languages. Businesses have many types of symbols, in the form of trademarks, logos, and brands. Can you easily identify popular company logos such as Nike's swoosh, Apple's small apple, and Coca-Cola's unique letters?

Material Productions and Creative Expressions of Culture

Material productions are artifacts, objects, and technological systems that people construct to cope with their environments. Material productions are integral to human life and provide the means to accomplish objectives, as well as a medium for communication and exchange within and between societies. The most important technology-based material productions are the infrastructure related to energy, transportation, and communications systems. Other material productions include social infrastructure (systems that provide housing, education, and health care), financial infrastructure (systems for managing means of exchange in banks and other financial institutions), and marketing infrastructure (systems that support marketing-related activities, such as ad agencies). Creative expressions of culture include arts, folklore, music, dance, theater, and high cuisine. Food is among the most interesting cultural markers. For example, in Japan, pizza is often topped with fish and seaweed. In the United States, pizzas can be piled high with meat. In France, pizza often comes with a variety of cheeses.

Language as a Key Dimension of Culture

Language is such an important dimension of culture that it requires extensive treatment.

Often described as the expression or *mirror* of culture, language is not only essential for communications, it provides insights into culture. At present the world has nearly 7,000 active languages, including over 2,000 each in Africa and Asia. But most of these languages have only a few thousand speakers. Exhibit 5.7 highlights the major languages of the world.[22] Note that while Arabic is listed in sixth place, it comprises 15 major and often highly distinct language variants across 46 countries. Linguistic proficiency is a great asset in international business because it facilitates cross-cultural understanding. Learning one or more of the frequently spoken languages can greatly enhance an international business career.

Language has both verbal and nonverbal characteristics. Much language is unspoken[23] and entails facial expressions and gestures. In fact, most verbal messages are accompanied by nonverbal ones. In this and other ways language is extremely subtle. Language is conditioned by our environment. Thus, for instance, while the language of the Inuits (an indigenous people of Canada) has several different words for "snow," English has just one; the Aztecs, moreover, used the same word stem for snow, ice, and cold. Sometimes it is difficult to find words to convey the same meaning in a different language. For instance, a one-word equivalent to "aftertaste" does not exist in many languages. There are also semantic gaps in languages. The concept and meaning of a word are not universal, even though the word can be translated well into another lan-

Rank	Language	Approximate number native speakers (millions)	Countries with substantial number of native speakers
1	Mandarin Chinese	874	China, Singapore
2	Hindi	365	India
3	English	341	United States, United Kingdom
4	Spanish	322	Argentina, Mexico, Spain.
5	Bengali	207	Bangladesh, India
6	Arabic	198	Algeria, Egypt, Saudi Arabia
7	Portuguese	176	Brazil, Portugal
8	Russian	167	Russian Federation, Ukraine
9	Japanese	125	Japan
10	German	100	Germany, Austria
11	Korean	78	South Korea, North Korea
12	French	77	France, Belgium
13	Turkish	75	Turkey, Central Asia, Eastern Europe

Exhibit 5.7   The Most Common Primary Languages in the World

SOURCE: Copyright © 2000, SIL International, from the database of Ethnologue: Languages of the World, 14th ed., www.ethnologue.com.

guage. The Japanese word "muzukashii," for example, can be variously translated as "difficult," "delicate," or "I don't want to discuss it," but in business negotiations it usually means "out of the question."

National languages, dialects, and translation have a tendency to complicate straightforward communication. Ignorance of a language can be embarrassing. Advertising themes often lose their original meaning in translation or convey unfavorable interpretations. Even those from different countries who speak the same language may experience communication problems because of unique colloquial words. The same word can convey different meanings in the two countries. Exhibit 5.8 shows how the popular slogans of some languages translate into offensive phrases in other languages. Exhibit 5.9 shows how two English-speaking countries interpret the same word in very different ways. These exhibits demonstrate how easy it is for misinterpretations to get in the way of conveying intended meaning.

Company and Location	Intended Ad Slogan	Literal Translation
Parker Pen Company 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 (car exteriors) in Belgium	"Body by Fisher"	"Corpse by Fisher"
Salem cigarettes in Japan	"Salem—Feeling Free"	"Smoking Salem makes your mind feel free and empty."

Exhibit 5.8   Blunders in International Advertising

Exhibit 5.9

Examples of Differences in Meaning between U.S. and British English

Word	Meaning in U.S. English	Meaning in British English
Scheme	A somewhat devious plan	A plan
Redundant	Repetitive	Fired or laid off
Sharp	Smart	Conniving, unethical
To table	To put an issue on hold	To take up an issue
To bomb	To fail miserably	To succeed grandly
Windscreen	A screen that protects against wind	Automobile windshield

Business jargon that is unique to a culture can also impede communication. For example, many words and expressions that have crept into U.S. business executives' jargon from sports or military terminology pose problems for non-U.S. businesspeople. Here is some business jargon used in American English that may be puzzling for non-natives to understand: "the bottom line," "to beat around the bush," "shooting from the hip," "feather in your cap," and "get down to brass tacks." Imagine the difficulty that professional interpreters may encounter in translating such phrases!

Culture and Contemporary Issues

We have seen that culture is relatively stable. However, contemporary issues such as globalization of markets, transnational media, technological advances, and government regulations do influence culture, and culture influences these contemporary issues. Culture is so powerful and pervasive that it continues to exert a strong effect on emergent issues. In this section, we explore the linkage between culture and key issues.

Culture and the Services Sector

Services such as lodging and retailing are increasingly international. In the most advanced economies, firms that offer services account for a greater share of FDI than firms that manufacture products.[24] Contact-based services bring service providers into direct contact with foreign customers through cross-border transactions. These service providers include architects, consultants, and lawyers. Asset-based services are those in which someone offers to establish a brick-and-mortar facility abroad, such as banks, restaurants, and retail stores.[25]

However, cultural differences create problems for services firms, leading to mishaps in the exchange process. The greater the cultural distance between the service producer and its customers, the more likely there will be cognitive and communication gaps. Imagine, for example, a Western lawyer who tries to establish a law office in China. Without a thorough knowledge of Chinese culture and language, the lawyer's efforts are largely futile. Imagine how much success a Western restaurant chain would have in Russia if it knew nothing of Russian food culture or the work customs of Russian workers!

Differences in language and national character have the same effect as trade barriers. Service firms that internationalize via FDI are particularly vulnerable, because each firm is shaped by both a national culture and an organizational culture, which originate from the source of the firm's funding.[26] For example, a Japanese bank established in New York or London remains distinctly Japanese because the capabilities that it brings with it are based on Japanese culture and the firm's Japan-based corporate culture.[27]

To overcome these challenges, services firms seek to understand the cultures and languages of the countries where they do business. For example, at the global express company FedEx, management constantly seeks to hire, train, and moti-

vate hundreds of sales representatives who speak different languages, represent different cultures, and service different markets.[28] Without such efforts, services firms like FedEx would not likely succeed at international business.

Technology, the Internet, and Culture

Technological advances are a key determinant of culture and cultural change. These advances have led to more leisure time for culture-oriented pursuits and to the invention of computers, multimedia, and communications systems that encourage convergence in global culture. The rise of the transnational media, high-tech communications, and modern transportation systems has brought geographically separated cultures in closer contact than ever before. The *death of distance* refers to the demise of the boundaries that once separated people, due to the integrating effects of modern communications, information, and transportation technologies. Just as distinctive cultures developed in the distant past because regions had limited contact with each other, somewhat homogenized cultures are developing today due to modern technologies that increase contact among the people of the world. For example, Hollywood movies and the ability to easily travel throughout the world homogenize customs, fashions, and other manifestations of culture. Today, university students listen to much the same music and wear similar clothing styles worldwide.

Technology also provides the means to promote culture. For example, local artistic traditions from Africa, Asia, and Latin America have received a big boost from the rise of world cinema and television. Movies and TV provide artists with tools for expressing themselves and facilitate contact with consumers. In a similar way, communications technology permits us to choose our information sources. For example, people usually prefer information in their native language that represents cultural traits similar to their own. Thus, Spanish speakers in the United States increasingly select mass media sources—TV, movies, the Internet—in Spanish, limiting the homogenizing effect that would result from relying on English-speaking media. In addition, the broadening of global communications allows ethnic groups scattered around the world to remain in touch with each other.[29]

The Internet also promotes the diffusion of culture. The number of Internet users is growing rapidly worldwide, and the potential for cultural blunders arising from international e-mail use is higher than ever. To minimize such problems, international managers now access software that translates e-mail and text messages into foreign languages. After typing in a phrase, the software instantly converts messages into any of dozens of languages, including Chinese, Hebrew, and Portuguese.[30]

Globalization's Effect on Culture: Are Cultures Converging?

There is little consensus about globalization's effects on culture. While many believe that globalization is a destructive force, others see it as positive. Critics charge that globalization is harmful to local cultures and their artistic expressions and sensibilities, and is responsible for their replacement by a homogeneous, often Americanized, culture. Others argue that increased global communications is positive because it permits the flow of cultural ideas, beliefs, and values. In short, globalization is a major factor in the emergence of common culture worldwide. Many products, services, and even holidays are becoming common to world markets.

The homogenization (or the banalization) of culture is demonstrated by the growing tendency of people in much of the world to consume the same Big Macs and Coca-Colas, watch the same movies, listen to the same music, drive the same cars, and stay in the same hotels. Although food often represents a distinct culture, hamburgers, tacos, and pizza are increasingly popular around the world.[31] In Trinidad, the U.S. television series "The Young and the Restless" is so popular that in many places work effectively stops when it airs, and it has inspired calypso songs of the same name. In recent years, Baywatch and CSI Miami were among the most popular TV series

worldwide. The Barbie doll has become a global phenomenon, even as the values that this icon represents may not always agree with values in more conservative cultures.[32]

However, in reality, the larger trend is more complex than these examples imply. As cross-border business integrates the world's economies, it also increases the choices available to local people by making their countries culturally richer. Cultural homogeneity and heterogeneity are not mutually exclusive alternatives or substitutes; they may exist simultaneously. Cross-cultural exchange promotes innovation and creativity. Globalization brings a wider menu of choices to consumers and increases diversity within society.[33] Cultural flows originate in many places. Just as McDonald's hamburgers have become popular in Japan, so has Vietnamese food in the United States and Japanese sushi in Europe. Integration and the spread of ideas and images tend to provoke reactions and resistance to cultural homogenization, thereby spurring individual peoples to insist on their differences. While some past customs will be eclipsed in globalization, the process is also liberating people culturally by undermining the ideological conformity of nationalism.

Managerial Guidelines for Cross-Cultural Success

Cross-cultural proficiency helps managers connect with their foreign counterparts. Seasoned managers attest to the importance of a deep knowledge of culture and language in international business. Managers can achieve effective cross-cultural interaction by keeping an open mind, being inquisitive, and not rushing to conclusions about others' behaviors.

Experienced managers acquire relevant facts, skills, and knowledge to avoid offensive or unacceptable behavior when interacting with foreign cultures. They undergo cultural training that emphasizes observational skills and human relations techniques. Skills are more important than pure information because skills can be transferred across countries, while information tends to be country specific. Various resources are available to managers for developing skills, including videotape courses, cross-cultural consultants, and programs offered by governments, universities, and training institutes. Planning that combines informal mentoring from experienced managers and formal training through seminars and simulations abroad and at home go far in helping managers meet cross-cultural challenges.

Although every culture is unique, certain basic guidelines are appropriate for consistent cross-cultural success. Let's review three guidelines managers can follow in preparing for successful cross-cultural encounters.

Cross-cultural proficiency increases the effectiveness of meetings and other encounters in international business.

Guideline 1: *Acquire factual and interpretive knowledge about the other culture, and try to speak their language.* Successful managers acquire a base of knowledge about the values, attitudes, and lifestyles of the cultures with which they interact. Managers study the political and economic background of target countries—their history, current national affairs, and perceptions about other cultures. Such knowledge facilitates understanding about the partner's mindset, organization, and objectives. Decisions and events become substantially easier to interpret. Sincere interest in the target culture helps establish trust and respect, laying the foundation for open and productive relationships. Even modest attempts to speak the local language are welcome. Higher levels of language proficiency pave the way for acquiring competitive advantages. In the long run, managers who can converse in multiple languages are more likely to negotiate successfully and have positive business interactions than managers who speak only one language.

Guideline 2: *Avoid cultural bias*. Perhaps the leading cause of culture-related problems is the ethnocentric assumptions managers may unconsciously hold. Problems arise when managers assume that foreigners think and behave just like the folks back home. Ethnocentric assumptions lead to poor business strategies in both planning and execution. They distort communications with foreigners. Managers new to international business often find the behavior of a foreigner hard to explain. They may perceive the other's behavior as odd and perhaps improper. For example, it is easy to be offended when our foreign counterpart does not appreciate our food, history, sports, or entertainment, or is otherwise inconsiderate. This situation may interfere with the manager's ability to interact effectively with the foreigner, even leading to communication breakdown. In this way, cultural bias can be a significant barrier to successful interpersonal communication.

A person's own culture conditions how he or she reacts to different values, behavior, or systems. Most people unconsciously assume that people in other cultures experience the world as they do. They view their own culture as the norm—everything else may seem strange. This is known as the **self-reference criterion**—the tendency to view other cultures through the lens of one's own culture. Understanding the self-reference criterion is a critical first step to avoiding cultural bias and ethnocentric reactions.

Critical incident analysis (CIA) refers to an analytical method for analyzing awkward situations in cross-cultural interactions by developing empathy for other points of view. It is an approach to avoiding the trap of self-reference criterion in cross-cultural encounters. Critical incident analysis encourages a more objective reaction to cultural differences by helping managers develop empathy for other points of view. The *Global Trend* feature on page 150 details how managers can learn to deliberately avoid the self-reference criterion.

Guideline 3: *Develop cross-cultural skills*. Working effectively with counterparts from other cultures requires an investment in your professional development. Each culture has its own ways of carrying out business transactions, negotiations, and dispute resolution. As an example, you will be exposed to high levels of *ambiguity;* concepts and relationships that can be understood in a variety of ways.[34] You must make an effort to gain cross-cultural proficiency to be successful in international business. Cross-cultural proficiency is characterized by four key personality traits:

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

As discussed earlier in the chapter, managers function better with a geocentric or cosmopolitan view of the world. Managers with this view believe they can understand and accommodate similarities and differences among cultures. Successful multinational firms seek to instill a geocentric cultural mindset in their employees and use a geocentric staffing policy to hire the best people for each position, regardless of their national origin. Over time, such firms develop a core group of managers who feel at home working in any cultural context.

One way for managers to determine the skills they need to approach cultural issues is to measure their cultural intelligence.[35] *Cultural intelligence* (CQ) is a person's capability to function effectively in situations characterized by cultural diversity. It focuses on specific capabilities that are important for high-quality personal relationships and effectiveness in culturally diverse settings and work groups.

Self-reference criterion The tendency to view other cultures through the lens of one's own culture.

Critical incident analysis (CIA) An analytical method for analyzing awkward situations in cross-cultural interactions by developing empathy for other points of view.

Minimizing Cross-Cultural Bias with Critical Incident Analysis

Firms develop and seek to maintain relationships with customers and partners that span the globe. To compete effectively, companies must continually improve ways to communicate with and manage customers, wherever they are located.

One recent trend is the rise of global account management, which puts a single manager or team in charge of a key customer and all its needs worldwide. The global account manager draws on various resources, including communication and interaction skills in cross-cultural settings, to market products and services.

Another trend is the rise of global project teams. The teams comprise members from a variety of cultural backgrounds. Global teams enable firms to profit from knowledge amassed across the organization's entire worldwide operations. Such teams function best when the members engage in high-quality communications, which involves minimizing miscommunications based on differences in language and culture.

Nevertheless, inexperienced managers often find the behavior of foreign counterparts hard to explain. They often perceive others' behavior as "odd" and perhaps improper, which hinders their ability to interact effectively with foreigners. One way to minimize cross-cultural bias and the self-reference criterion is to engage in *critical incident analysis*, a method that helps managers develop empathy for other points of view.

Consider the following scenario. Working on a joint product design, engineers from Ford (United States) and Mazda (Japan) interact intensively with each other. Ford wants to share its engineering studies and critical materials with its Japanese counterpart. Following a week of interaction, the Ford team grows increasingly uncomfortable with the seeming lack of interest from the Japanese. The Japanese engineers appear strangely indifferent and do not exhibit much reaction. When the teams meet, the Japanese appear to keep conversation among themselves and offer little feedback. Eventually, the Ford team's surprise turns into frustration and anger. They now believe that the Japanese are arrogant, uninterested in Ford's technical designs, and care little about the collaboration.

In reality, the Ford team has jumped to conclusions. They have failed to consider other plausible explanations for the Japanese behavior because they have judged the Japanese using their own culturally bound expectations. An independent observer familiar with Japanese culture and business organization could have provided alternative explanations for this situation. For one, the Japanese engineers may have not been proficient in English. They could not explain themselves easily or understand the Ford team's briefings, which all took place in English. Furthermore, Japanese usually refrain from speaking out before the entire team meets in private and reaches consensus. Japanese are generally thoughtful and typically show their respect for counterparts by listening intently while remaining quiet. These and other explanations are all plausible within the context of the Japanese culture.

So what should you do as a manager when confronted with an awkward or uncomfortable situation in a cross-cultural interaction? Critical incident analysis advocates the following steps:

Step One: Identify the situations where you need to be culturally aware to interact effectively with people from another culture. These may include socializing, working in groups, attending meetings, negotiating, and reaching agreement.

Step Two: When confronted with a seemingly strange behavior, discipline yourself not to make value judgments. Learn to suspend judgment. Instead, try to view the situation or the problem in terms of the unfamiliar culture. Make observations and gather objective information from native citizens or secondary sources. In this way, you can isolate the self-reference criterion leading you to your inaccurate conclusion.

Step Three: Learn to make a variety of interpretations of the foreigner's behavior, to select the most likely interpretation, and then to formulate your own response. By doing so, you will react to the situation without the self-reference criterion, and will likely produce the optimal response.

Step Four: Learn from this process and continuously improve.

Sources: Keller, Robert. (2001). "Cross-Functional Project Groups in Research and New Product Development." *Academy of Management Journal* 44(3): 547–55; Senn, Christoph, and Axel Thoma. (2007). "Worldly Wise: Attracting and Managing Customers Isn't the Same When Business Goes Global." *Wall Street Journal* March 3, 2007, p. R5; Solomon, C. (1998). "Building Teams Across Borders." *Workforce* 52 (4): 12–17.

Hollywood and the Rise of Cultural Protectionism

The most commercially successful filmmaker of all time, Steven Spielberg, is synonymous with American cinema. He has directed and produced international blockbusters like *ET, Jurassic Park*, and *War of the Worlds*. As U.S. dominance of the international film industry grows, Spielberg has been the target of complaints about how Hollywood is changing world cultures. The values represented in Spielberg's films are often viewed as part of the larger trend of the homogenization, or worse, the Americanization of global values and beliefs.

Jurassic Park ignited a storm of protest and calls for cultural protectionism. Film critics and cultural ministries around the globe found *Jurassic Park* to be a brainless film, lacking plot, and succeeding entirely through special effects and big-budget bells and whistles. French officials labeled the film a threat to their national identity. Three leading filmmakers—Pedro Almodóvar, Bernardo Bertolucci, and Wim Wenders—wrote Spielberg to reprimand him for the poor quality of the film, proclaiming he was personally responsible for undermining their efforts to keep culturally rich European cinema afloat.

Another popular American movie, *Lost in Translation*, came under fire from Los Angeles to Tokyo. Set in Japan's capital and starring Bill Murray, the film won an Academy Award for best screenplay, three Golden Globes, and was nominated for three additional Oscars. The film was criticized for its portrayal of Japanese people as robotic caricatures who mix up their L's and R's. The image-conscious Japanese were disappointed at their depiction as comic relief for foreign audiences. In a scene where Bill Murray's character is taking a shower in what is meant to be a five-star hotel, he has to bend and contort to get his head under the shower head. In reality there isn't a five-star hotel in Tokyo that hasn't accounted for the varying heights of its potential guests. Another scene, in which Murray is shown towering at least a foot above an elevator full of local businessmen, mocks the smaller physique of the Japanese. The film is seen to reinforce negative stereotypes about the Japanese.

Is the U.S. film industry overwhelming the cultures of the world? And if so, can the world really blame Hollywood? Here are some relevant statistics. Hollywood produces 80 percent of the films viewed internationally, having doubled the U.S. global market share since 1990. The European film industry is now about one-ninth the size it was in 1945. Behind aerospace, Hollywood is the United States' largest net export. The copyright-based industries, which also include software, books, music, and TV, contributed more to the U.S. economy in the early 2000s than any single manufacturing sector. While the United States imports few foreign films, Hollywood's output remains in high demand worldwide. Today, foreign films hold less than one percent of the U.S. market.

Distorting History and Religious Values

Under attack since their origin, Hollywood war films are widely accused of presenting biased accounts of history. War movies portray American soldiers as patriotic heroes, protecting all that is good from all that is evil. *Apocalypse Now* may have painted a particularly ethnocentric view of the Vietnam War, focusing on the American tragedy while ignoring that of the Vietnamese.

While many nations are steadfast in their belief of the separation of church and state, this was decidedly not the case when *The Passion of Christ* was released. The film enraged religious groups in almost every corner of the world. Mel Gibson's controversial film retells the last 12 hours of the life of Jesus Christ. The government of Malaysia found *The Passion of Christ* inappropriate for its largely Muslim population, and banned its initial release in the country. The country subsequently permitted only Christians to view the film. International organizations and individuals also attacked *The Passion of Christ* as anti-Semitic.

Crucial to U.S. dominance of world cinema are the cultural associations inherent in Hollywood films. The global recognition and acceptance of American English and cultural references are obstacles that competitors face. American stars and Hollywood directors are well established in the international movie scene, and they enjoy a drawing power that transcends national boundaries. The CEO of Time Warner attributed Hollywood's global success to the association of "American style with a way of existence that to one degree or another [people] wish to share in."

Movies and Comparative Advantage

According to the theory of comparative advantage, countries should specialize in producing what they do best and import the rest. Economists argue that this theory applies as much to films as to any industry. They argue that movies are like any other commodity, and the United States has advantages in producing entertainment and exporting it to the rest of the world. Nevertheless, critics suggest that such an assertion, while satisfying to economists, ignores the fact that movies are *unlike* other commodities. The difference lies in film's ability to influence national culture and social development. The motion picture industry is a venue for enhancing cultural identity.

The world is no longer immigrating to the United States, but the United States is attempting to emigrate to the world, through its films and the values, stereotypes, and sometimes erroneous history that they portray. As former Canadian Prime Minister Kim Campbell remarked, "Movies are culture incarnate. It is mistaken to view culture as a commodity. . . . Cultural industries, aside from their economic impact, create products that are fundamental to the survival

of Canada as a society." This view highlights why governments often engage in *cultural protectionism*—that is, the application of trade barriers that aim to prevent local film industries from being swamped by U.S. imports.

Critics argue that protectionism is needed to prevent U.S. culture from being imposed on the rest of the world. Cultural protectionism is achieved by coddling the domestic industry and implementing high trade barriers, aimed especially at imports from the United States. The specific methods vary by country but usually involve subsidies, quotas, or a combination of both. Subsidies that the government gives to domestic filmmakers are often funded directly by taxes placed on box office sales of U.S. movies. But subsidies can be a crutch to a weak industry. They are employed when traditional funding sources—bank loans, stock and bond sales—prove insufficient to maintain an industry. Quotas limit the number of screens allowed to show U.S. films or require a certain number of movies to be produced domestically.

Subsidies can weaken industries. Quotas prevent consumers from seeing the films they want to see. The whole system results in the local production of films simply to fulfill government mandates. France once boasted its own booming film industry. But its complex system of quotas and subsidies has done little to slow its gradual demise. The insulation from competitive pressures provided by cultural protectionism can weaken protected industries, reducing their ability to create globally competitive films. Meanwhile, the proportion of Hollywood revenues generated from abroad continues to grow.

A Cultural Dilemma

Despite plenty of arguments on both sides of this ongoing debate, critics can no longer point a finger at Hollywood, because Hollywood is not as "American" as it once was. *The Passion of Christ*, funded by its Australian director and filmed in Italy, is a prime example of the technicolor that globalization has given to an issue that was once black and white. Two of the seven major film companies that are collectively known as Hollywood aren't even U.S. firms. Many big-budget Hollywood films these days are in fact multinational creations. Russell Crowe, Heath Ledger, Charlize Theron, Penelope Cruz, Nicole Kidman, Jude Law, and Catherine Zeta-Jones are just a few of the many stars who do not hail from the United States.

As the lines connecting Hollywood with the United States are increasingly blurred, the world needs to reconsider the methods by which to conquer this so-called beast. Protectionists should not abandon their quest to salvage the intellectual and artistic quality of films. They should heed the words of Eric Rohmer. In an interview with the New York Times, the French director stated that his countrymen should fight back with high-quality movies, not protection. "I am a commercial film maker. I am for free competition and am not supported by the state."

AACSB: Reflective Thinking

Case Questions

1. Like an iceberg, most aspects of culture are largely invisible to the casual observer (for example, gender roles, ways to solve problems, conversational patterns). What aspects of culture do Hollywood films promote around the world? In what ways do Hollywood movies affect the cultural values of people outside the United States?

2. Hollywood movies are very popular in world markets, but foreign films are little viewed in the United States. What factors determine the high demand for Hollywood films in world markets? That is, why are they so popular in Europe, Japan, Latin America, and elsewhere? Why are foreign films so little demanded in the United States? What can foreign filmmakers do to increase demand for their movies in the United States?

3. Worldwide, protectionism of most goods is insignificant or declining. Do movies constitute a separate category (culture incarnate, as stated in the case study), or should they be treated like any other good? That is, given the nature of movies, is it okay for a country to shield and support its own film industry via protectionism? Are there any other cultural industries that governments should protect? Justify your answers.

4. Are subsidies and quotas the right way to protect cultural industries? What are the advantages and disadvantages of subsidies and quotas for protecting local film industries? Are there better ways to maintain and enhance home-grown film industries? Justify and elaborate your answer. ◄

This case was written by Sonia Prusaitis, under the supervision of Dr. Gary Knight.

Sources: "Moreover: Culture Wars." *Economist*, Sep, 12, 1998, pp. 97–00; Barth, Steve. (1998). "Cultural Protectionism," *World Trade*, March, 1998, p. 43; Cowen, Tyler. (1998). "French Kiss-Off: How Protectionism has Hurt French Films," *Reason Magazine* July, 1998, pp. 40–48; Day, Kiku. (2004)."Totally Lost in Translation," *The Guardian*, January 24, 2004; Delacroix, Jacques, and Julien Bornon. (2005). Can Protectionism Ever Be Respectable? *The Independent Review* 9(3): 353–65; Marvasti, Akbar, and E. Canterbery. (2005). "Cultural and Other Barriers to Motion Picture Trade," *Economic Inquiry*, January, 2005, pp. 39–55; Motion Picture Association. (2002). *U.S. Entertainment Industry*, February 5, 2005, at www.mpaa.org; Munroe, J. Richard. (1998). "Good-Bye to Hollywood: Cultural Imperialism and the New Protectionism," *Vital Speeches of the Day*, June 15; Teachout, Terry. (1998). "Cultural Protectionism: The World's Culture Czars Move to Repel the Hollywood Invasion," *The Wall Street Journal*, July 10, 1998, p. W11.

CHAPTER ESSENTIALS

Key Terms

Summary

In this chapter, you learned about:

1. **The challenge of crossing cultural boundaries**

   In cross-border business, we step into different cultural environments characterized by unfamiliar languages, distinctive motivations, and different values. **Culture** refers to learned, shared, and enduring orientations of a society, which are expressed in values, ideas, attitudes, behaviors, and other meaningful symbols and artifacts. **Cross-cultural risk** arises from a situation or event where a cultural miscommunication puts some human value at stake. **Ethnocentric orientation** refers to using our own culture as the standard for judging how good other cultures are. **Polycentric orientation** refers to a host country mindset where the manager develops greater affinity with the country in which she or he conducts business. **Geocentric orientation** refers to a global mindset where the manager is able to understand a business or market without regard to country boundaries.

2. **The meaning of culture: foundation concepts**

   Culture is the collective mental programming of people. It influences consumer behavior, managerial effectiveness, and the range of value-chain operations, such as product and service design, marketing, and sales. Culture is not inherited, right or wrong, or about individual behavior. Culture is like an iceberg in that most of its elements and influence are hidden below the surface.

3. **Why culture matters in international business**

   Managers need to develop understanding and skills in dealing with other cultures. Culture matters in international business in areas such as developing products and services; interaction with foreign business partners; selecting foreign distributors; business negotiations; dealing with customers; preparing for trade fairs; and preparing promotional materials. Cross-cultural differences complicate workplace issues such as teamwork, employment, pay-for-performance systems, organizational structures, union-management relationships, and attitudes toward ambiguity.

4. **National, professional, and corporate culture**

   There are three layers of culture: national, professional, and corporate. Working effectively within these cultures is a major challenge. The influence of professional and corporate cultures grows as people are socialized into a profession and their workplace. Most companies exhibit a distinctive set of norms, values, and beliefs that distinguish them from other organizations. Such differences are often as distinctive as the differences in culture between nations. Managers can misinterpret the extent to which a counterpart's behavior is attributable to national, professional, or corporate culture.

5. **Interpretations of culture**

   Culture can be interpreted through metaphors, a distinctive tradition or institution that serves as a guide or map for deciphering attitudes, values, and behavior. **Stereotypes** are generalizations about a group of people that may or may not be factual. An **idiom** is an expression whose symbolic meaning is different from its literal meaning. **Low-context cultures** rely on elaborated verbal explanations, putting much emphasis on spoken words. **High-context cultures** emphasize nonverbal communications and a more holistic approach to communication that promotes harmonious relationships. Hofstede's typology of cultural dimensions consists of **individualism versus collectivism, power distance, uncertainty avoidance, masculinity versus femininity,** and **long-term versus short-term orientation**.

6. Key dimensions of culture

The dimensions of culture include values and attitudes, which are shared beliefs or norms that individuals have internalized. Deal-versus-relationship orientation describes the intensity with which managers get down to business, as opposed to developing relationships. Manners and customs are ways of behaving and conducting oneself in public and business situations. Perceptions of time refer to the temporal focus of life, and dictate expectations about planning, scheduling, profit streams, and what constitutes lateness in arriving for work and meetings. **Monochronic** cultures tend to exhibit a rigid orientation to time in which the individual is focused on schedules, punctuality, and time as a resource. In contrast, **polychronic** cultures refers to a flexible, nonlinear orientation to time in which the individual takes a long-term perspective and is capable of multitasking. Perceptions of space represent the area or physical room within which people feel comfortable. Religion provides meaning and motivation and is very significant in defining peoples' ideals and values. Symbolic and material productions refer to the intangible and tangible meanings, institutions, and structures that individual cultures construct for themselves.

7. Language as a key dimension of culture

Language is a "mirror" of culture. It is essential for communication and provides cultural insights. There are nearly 7,000 active languages, but most have only a few thousand speakers. The major languages include Mandarin Chinese, Hindi, English, Spanish, and Arabic. Language has both verbal and nonverbal characteristics. It is conditioned by our environment. Sometimes it is difficult to find words to convey the same meaning in two different languages. Learning one or more common languages will enhance a person's international business career.

8. Culture and contemporary issues

While culture is relatively stable, contemporary issues influence culture. In contact-based services such, as found in law and architectural firms, providers interact directly with foreign nationals in culture-laden transactions. Cultural differences may lead to mishaps in the exchange process. Technological advances are a key determinant of culture and cultural change. Improved transportation and the spread of communications technology have removed the boundaries that once separated nations. Technology also promotes culture. The Internet emphasizes the role of language in communications. Globalization promotes common culture and the consumption of similar products and services worldwide.

9. Managerial guidelines for cross-cultural success

Managerial guidelines include the need to acquire factual and interpretive knowledge about the other culture, and to try to speak their language. Managers should avoid cultural bias and engage in **critical incident analysis** to avoid the **self-reference criterion**. Critical incident analysis involves being culturally aware, not making value judgments, and selecting the most likely interpretation of foreign behaviors. Experienced managers develop cross-cultural skills, including a tolerance for ambiguity, perceptiveness, valuing personal relationships, and being flexible and adaptable. Cultural intelligence is the ability to function effectively in culturally diverse situations.

Test Your Comprehension

1. Describe culture and cross-cultural risk.

2. Distinguish between socialization and acculturation.

3. Explain why culture matters in international business. In what types of contexts can cross-cultural differences cause concerns for managers?

4. Distinguish between the three layers of culture. What are the major elements of country-level and professional culture?

5. How does a manager with a deal orientation differ from a manager with a relationship orientation?

6. What are the two major perceptions of time, and how does each affect international business?

7. What are the five dimensions that make up Hofstede's model of culture?

8. Distinguish between cultural metaphors and stereotypes.

9. Summarize the three major guidelines for success in cross-cultural settings.

Apply Your Understanding
AACSB: Communication, Reflective Thinking, Multicultural and Diversity

1. Suppose you get a job at Kismet Indemnity, a life insurance company. In its 45-year history, Kismet has never done any international business. Now the president of Kismet, Mr. Randall Jay, wants to expand Kismet's business abroad. You have noted in meetings that Mr. Jay seems to lack much awareness of the role of culture. Although you have always been careful about appearing too smart around your superiors, write a memo to Mr. Jay in which you explain why culture matters in international business. In your memo, be sure to speculate on the effects of various dimensions of culture on sales of life insurance.

2. People tend to see other cultures from their own point of view. They accept their own culture and its ways as the norm—everything else seems foreign, or even mysterious. This chapter describes a technique called critical incident analysis (CIA) that encourages an objective reaction to cultural differences by helping managers develop empathy for other points of view. Using the CIA approach, define a situation that you or someone else has experienced that led to a cross-cultural misunderstanding. Perhaps it involved an interaction with a fellow student, a visit to a store in your town, or an experience you had while traveling abroad. Explain what actually happened, and how a more culturally sensitive response might have been possible if you or your fellow student had used CIA.

3. Examine the following comparison of cultural values in Mexico and the United States. Based on your analysis, use the discussion in this chapter on the dimensions and drivers of culture, as well as their management implications, to formulate a policy for marketing automobiles to consumers from each of these countries. What features should you emphasize in cars? What attributes should you emphasize in advertising cars?

Typical Values of Mexico

- Leisure considered essential for full life
- Money is for enjoying life
- Long-term orientation
- Relatively collectivist society
- Strongly male-dominated society
- Relationships are strongly valued
- Subordinates are used to being assigned tasks, not authority

Typical Values of the United States

- Leisure considered a reward for hard work
- Money is often an end in itself
- Short-term orientation
- Strongly individualistic society
- Men and women are relatively equal
- Getting the transaction done is more important than building lasting relationships
- Subordinates prefer higher degree of autonomy

AACSB: Reflective Thinking

Refer to Chapter 1, page 27, for instructions on how to access and use globalEDGE™.

1. Ethnologue (www.ethnologue.com/web.asp) is a comprehensive listing of the world's known languages. It is an excellent resource for linguists, scholars, and others with language interests. Ethnologue contains statistical summaries on the number of language speakers by language size, family, and country. Visit the Ethnologue Web site and answer the following questions: (a) Visit the "Languages of China" site. What is the population of China? Of the more than 200 languages in China, which one has the largest number of speakers? Which has the second most speakers? What is the common name of the Chinese language known as *yue?* How do these figures compare to the total number of English speakers in the main English-speaking countries of Australia, Canada, the United Kingdom, and the United States? (b) Visit the "Languages of Spain" site. Most people know that Spanish originated in Spain. How many people live in Spain? How many native Spanish speakers are in Spain? How many languages altogether are spoken in Spain? (c) Switzerland is one of the smallest European countries. What are the major languages of Switzerland, and how many speakers does each have? (d) Find the table "Linguistic Diversity of Countries," which shows the population of each language as a proportion of the total population, for most countries. What are the most linguistically diversified countries in the world? What are the least diversified countries?

2. Cultural intelligence is a person's capability to function effectively in situations characterized by cultural diversity. globalEDGE ™ and other online resources feature *cultural intelligence* scales. What are the components of cultural intelligence? Answer the questions on this scale and calculate your score on cultural intelligence? Compare your score to those of your classmates.

3. Various online sites list cultural blunders or *faux pas* (false steps) that people make in their international interactions. One such site is International Education Systems (www.marybosrock.com). Neglecting to develop relationships (as in "Just sign the contract, I'm in a hurry!") and casual use of first names (as in "Just call me Bill!") are examples of the cultural blunders that seem to persist. Research online sources to identify examples of improper cultural behaviors. How can managers avoid such blunders?

Developing an Incentive Plan for Sales Personnel from Different Cultures

Professional selling is the art of determining the needs of the client and then providing solutions for those needs in the form of appropriate products and services. Done properly, this produces satisfied customers who are motivated to buy again from the same firm. Selling is particularly important in cross-border business-to-business exchanges, which tend to be more relationship-based than business-to-consumer exchanges.

AACSB: Analytical Skills, Multicultural Diversity

Successful companies are staffed with an international sales management team that understands local country client needs and excels at understanding the social, political, regulatory, and cultural nuances of the local market. Successful international sales management teams excel at the ability to motivate in-country sales representatives, who come from various cultural backgrounds, to meet and exceed established sales goals.

Managerial Challenge

Selling across cultures requires a high level of sophistication. As emphasized throughout this text, the international environment is characterized by a range of differences in culture, economic circumstances, political systems, regulatory requirements, and other factors, all of which strongly influence the company's selling efforts. A key managerial challenge for international sales management teams is to develop proficiency in understanding foreign cultures, and to leverage these cultural skills to maximize the performance of the local, in-country sales professionals.

Background

In staffing sales personnel, firms usually prefer to hire host-country nationals because of their local knowledge and expertise and because they are less expensive to employ and house than expatriates. Employing in-country nationals poses its own challenges because of the cultural differences that characterize such personnel. To inspire a culturally diverse sales force, managers charged with sales administration must be sensitive to the needs and personality traits of the sales personnel whom they supervise. Managers often need to appeal to differ-

ing motives to induce sales personnel from various cultures to perform at their best.

Managerial Skills You Will Gain

In this C/K/R Management Skill Builder©, as a prospective manager, you will:

1. Understand the factors that motivate sales personnel in different countries.
2. Learn cultural traits in various countries and how these traits influence behaviors among sales personnel.
3. Learn how to increase company sales through more effective personnel management.
4. Gain market research skills in acquiring knowledge of social and political realities in planning company selling activities in different countries.

Your Task

Assume you are an international sales administration specialist on the management team of a firm that manufactures personal computers. Your task is to assist the international sales manager, who supervises three sales representatives from three different countries. You have been asked to design an incentive plan for each of the employees that is most likely to maximize his or her selling effort and comply with all local country rules and regulations.

Go to the C/K/R Knowledge Portal©

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Proceed to the C/K/R Knowledge Portal© to obtain the expanded background information, your task and methodology, suggested resources for this exercise, and the presentation template.