THE IMPACT OF CULTURE ON DOING BUSINESS INTERNATIONALLY

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Cross-Cultural Management: Introduction

The growing importance of world business creates a demand for managers sophisticated in international management and skilled at working with people from other countries. Cross-cultural management studies the behaviour of people in organizations around the world and trains people to work in organizations with employee and client populations from several countries. It describes organizational behaviour within countries and cultures; compares organizational behaviour across countries and cultures; and perhaps most importantly, seeks to understand and improve the interaction of co-workers, clients, suppliers, and alliance partners from different countries and cultures. Cross-cultural management thus expands the scope of domestic management to encompass the international and multicultural spheres.

With the increasing amount of international trade, there is a need understand the way that other nations operate their businesses. Often, there is also a need to understand more about the other nations themselves. Once there is an understanding of the way business operates in other nations, the benefits and problems of working with them can be understood. As a result decisions can be made regarding whether to work with other nations and whether any special conditions or approaches are required.

A whole body of literature has appeared that documents cultural blunders in international business efforts. The long lists of errors are accompanied by the lists of do’s and taboos for international businesspeople. However, they can’t cover everything and the lists of intercultural errors will continue to grow because someone did not understand the why rather than the what of culture [Beamer L. & I. Varner, p.2.]. Front-stage culture is easiest to observe and react to. At the front of the stage, interactants can respond to cultural cues and modify their own behaviour, creating a transactional culture between them. At the same time, individuals’ own cultural backgrounds give rise to the backstage cultural behaviours. These are not so easily observed by others as are the front-stage behaviours, but they underlie what others do not see. Back-stage behaviours are usually unconscious and include the way people make decisions, respond to deadlines, accomplish tasks, rank events by importance. If you understand the why of culture, you can explain back-stage behaviour.

The why is the essence of a people’s culture. If you understand why people value some things, you can make good guesses about why they value other things. If you understand why they behave a
certain way, you can interpret other behaviour with a degree of accuracy. Once you have an insight into what people think is important and how they behave, you can do business with them.

What is Culture?

Geert Hofstede, the author of research in intercultural communication and organisational practices, refers to culture as ‘the software of mind’. Beamer L. & I. Varner take that computer analogy further and say that culture is the operating environment that enables software programs to run. Culture is like DOS or Unis or Windows: it is what enables us to process information in various specific applications. The metaphor of windows is very appealing to describe culture: culture is a mental set of windows through which all of life is viewed.

Many definitions of culture exist in the literature. Gudykunst & Kim (1984) equate culture with a theory “for interpreting the world and knowing how to behave” (p.13). Edward Hall (1966), a key researcher into cultures wrote ‘Culture [is] those deep, common unstated experiences which members of a given culture share, which they communicate without knowing, and which form the backdrop against which all other events are judged. Hofstede suggests that culture is “to human collectivity what personality is to the individual” (1984, p.21). Brislin (1993) suggests that it consists of ideals, values, and assumptions about life that are widely shared among people and that guide specific behaviours. To Samovar and Porter (1972) culture “manifests itself both in patterns of language and thought and in forms of activity and behaviour. These patterns become models for common adaptive acts and styles of expressive behaviour which enable people to live in a society within a given geographical environment at a given state of technical development” (p.3). Finally, Condon and Yousef (1975) remind us that “we cannot separate culture from communication, for as soon as we start to talk about one we are almost inevitably talking about the other, too” (p.34).

Culture can't be defined specifically because its meaning is different for each individual. It is dependent on the circumstances in a society someone grows up and any other influences in daily life. The definition of culture develops with the individual’s experiences. If a person is talking about its culture, just a personal view how this particular person understands culture can be expected. Scientists often try to find a definition for what culture is, like Kroeber and Kluckholm (1952) who identified 164 definitions.

There are no definitions which describe the term culture precisely. Culture varies obviously from country to country. If you talk about a nation's culture there are often prejudices involved. Which definition or explanation ever is chosen they have all one in common: they are all based on personal experiences. This is definitely the best way to prove and find out something about a culture. Researchers depend on firsthand observation and experiences to understand various types of culture. As well as managers, if they want to be international and competitive.

Being able to operate in a multicultural environment it is important to know and be aware of the cultural differences and peculiarities. It is obviously not enough to categorize Italians as people spending most of their time in the sun while eating pizza and drinking wine. There is more that has to be learned to become successful in a foreign market. A major challenge for managers is to overwhelm their myopic view. It takes time to develop an open attitude and a cultural sensitivity which enables managers to look carefully to the foreign market and point out the customers needs there and not transferring the domestic market needs.

A bad example for what management can do wrong if not looking specifically to the foreign market is Eurodisney in Paris/France. The Disney management definitely ignored many basic questions they should have asked themselves before launching this project. One of their mistakes was also related to a cultural aspect. E.g. Eurodisney prohibit drinking alcohol inside of the park. Especially the French visitors were embarrassed about that where drinking wine to a meal belongs to the typical French culture. Disney has changed
the regulation later on but in the beginning they didn't respect or take the foreign culture into account.

To understand the differences between domestic and global management, it is necessary to understand the primary ways in which cultures vary. After cataloguing more than one hundred different definitions of culture, Kroeber and Kluckholn (31:181) offered one of the most comprehensive and generally accepted definitions:

"Culture consist of patterns, explicit and implicit of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action."

Culture is the coherent, learned, shared view of a group of people about life’s concerns that ranks what is important, furnishes attitudes about what things are appropriate, and dictates behaviour. [Beamer L. & I. Varner, p.3]

**Culture is therefore,**

a. **A shared system of meanings.** Culture dictates what groups of people pay attention to. It guides how the world is perceived, how the self is experienced and how life itself is organized. Individuals of a group share patterns that enable them to see the same things and this hold them together. Each person carries within them learned ways of finding meaning in their experiences. Culture is something (as in the case of morals, laws and customs) that shapes behaviour, or … structures one's perception of the world. In order for effective, stable and meaningful interaction to occur, people must have a shared system of meaning.

b. **Relative.** There is no cultural absolute. Different cultures perceive the world differently and have different ways of doing things, and there is no set standard for considering one group as intrinsically superior or inferior to any other. Each national culture is relative to other cultures' ways of perceiving the world and doing things.

c. **Learned.** Culture is derived from one's social environment, not from one's genetic make-up. The older members of the group try to pass it on to the younger members.

d. **About groups.** Culture is a collective phenomenon that is about shared values and meanings.

Managers frequently see culture as "the collective programming of the mind which distinguishes the members of one human group from another … the interactive aggregate of common characteristics that influences a human group's response to its environment". The noted business author and scholar Geert Hofstede explains that it lies between human nature on the one side and individual personality on the other. Figure 1.1 shows three levels of uniqueness in human mental programming. In general, we see people as being from different cultures if their ways of life as a group differ significantly, one from another.

**What culture is NOT**

- "Right" or "wrong".
- Inherited
- About individual behavior. There are wide variations in individual values and behavior within each national culture.
Different Layers of Culture

Each person carries around several layers of cultural 'programming'. It starts as a child when one learns basic values: what is right and wrong, good or bad, logical and illogical, beautiful and ugly. This 'first level' of culture is the deepest and will vary according to the culture in which we grow up. Many psychologists believe that one's basic values are in place by the age of about 10 years, and that they are not easily changed.

Other layers of culture are learned or 'programmed' in the course of one's education, through professional or craft training and in organizational life. Some of the aspects of culture learned later have to do with conventions and ethics in one's profession. These layers are more ways of doing things, or practices, as opposed to fundamental assumptions about how things are.

Much is written about constant change cultures undergo. Agents of change include global companies like Coca-Cola or Sony. It is true that popular culture – or its widely consumed products such as music, food, clothing, etc. – does constantly change. But back-stage culture, the values, attitudes, and behaviours that have been learned from birth, change very little and very slowly.

Most significant change in social organization occurs with economic change. A study of many generations; values will be necessary to demonstrate that cultures actually change, and that the change is more than proceeding and receding emphases on values that exist within the culture. Technology is called the agent of cultural change as it is the way humans relate to their environment. Meanwhile, cultures appear to remain unchanged at deep levels and only change on the surface. This is front-stage behaviour, where popular culture thrives.

Because of the timing and sequence of learning these values and ways of doing things, their capacity for change is also very different. Individuals and societies have a lower capability for change than do organizations.

Typical Reactions to Unfamiliar Cultures

The most common response to cultural diversity is to choose somehow not to accommodate it. Human reaction is to reject difference. We insist on sameness and require people to conform to us. Or we deny difference, choosing not to see it even when it is there. It is much more comfortable to believe that your own culture is all you will ever need to know, that it cannot be improved upon than to embark upon a riskier openness.

Assumptions of superiority. A universal response to differences in cultures is: 'of course they're different, but we’re better.' What this does is minimize difference by making it unimportant compared to one’s own culture. Most cultures assume their own values and practices are superior to those of the rest of the world.

Parochialism
Parochialism means viewing the world solely through one's own eyes and perspective. A person with a parochial perspective does not recognize other people's different ways of living and working nor that such differences have serious consequences. People in all cultures are, to a certain
extent, parochial. Recently journalists, politicians, and managers alike have decried Americans’ parochialism. Americans speak fewer foreign languages, demonstrate less interest in foreign cultures, and are more naive in international business situations than the majority of their trading partners. In The Tongue-Tied American, United States Congressman Paul Simon deplored the shocking state of foreign language illiteracy in the United States and emphasized the heavy price Americans pay for it diplomatically, commercially, economically, and culturally.

A 1975 Dun’s survey found that only a handful of the 87 chairmen and presidents of the 50 largest American multinational corporations could be considered career internationalists. Of 87 top executives, 69 had had no overseas experience at all, except for inspection tours. Whereas almost two-thirds (62%) of US executives today see ‘emphasizing an international outlook’ as very important for the CEO of tomorrow, only a third (35%) consider experience outside of the United States as very important, and fewer than one in five (19%) consider foreign language training as very important. By comparison, 82 percent of non-United States executives consider an international outlook as very important for future CEOs; twice as many (70% versus 35%) consider experience outside their home country as very important, and more that three times as many (64% versus 19%) consider foreign language training as very important.

Why have many Americans ignored the need to think and act globally? Americans’ parochialism is understandable and at the same time unfortunate. Because the United States has such a large domestic market (over 225 million people) and English has become the international business language, many Americans assume that they neither need to speak other languages nor go to other countries to succeed in the corporate world. This parochial assumption is certainly not true for young Swedes, Israelis, Thais or Ukrainians.

The United States’ former political and technological dominance has also led many Americans to believe that they can conduct business strictly from American perspective. In many fields in which American technology has been the only advanced technology available, potential foreign clients and trading partners have had no opinion but to "buy American." International business expertise was unnecessary because the product sold itself (Phase 1). In the public sector, technology transfer projects from the United States to Third World countries further encouraged viewing the world from an American perspective (Phase 2).

The United States will continue to have a large domestic market, English will continue to be the language of international business, and technological excellence will continue to typify many American industries. Nonetheless, the domain of business is rapidly moving beyond national boundaries; the limitations of monolingualism are becoming more apparent; and technological superiority in many industries has become a cherished memory. Global competition in 1990s makes parochialism self-defeating. No nation can afford to act as if it is alone in the world (parochialism) or better than other nations (ethnocentrism). The United States’ economy is inextricably linked to the health of other economies. Like business people the world over, Americans must now compete and contribute on an international scale. Being on the part of the Third World countries, Ukrainians are well aware of the importance of the international outlook, international experience and knowledge of foreign languages. We need the exact knowledge and understanding of cross-cultural differences to get ‘our share of competitive advantage’ in the modern globalization process.

The Germans live in Germany, The Romans live in Rome, The Turks live in Turkey, but the English live at home.

[J.H.Goring 1909 nursery rhyme, quoted in Hofstede, Cultures and Organisations, p. 235]

Business people can generally depend on this: Members of other cultures, deep down in their heart of hearts, are convinced their own culture is the right one. People everywhere tend to assume their own culture is right and normal, and to assess all other cultures by how closely they
resemble their own. Most people, especially those with little experience of other cultures, believe their own culture (ethnicity) is at the centre of human experience – hence ‘ethnocentrism’. The closer another culture is to your own, the truer it seems to be. Along with the preference for cultures that are similar to our own is the view that difference is dangerous, or even wrong. Thus ethnocentrism may lead to complacency. We may not make an effort to look further that our own culture, and we may see little importance in understanding other cultures.

Business organizations that have proven they can succeed in one culture often adopt an ethnocentric position: we know how to make it work for us at home, so we can make it work for us anywhere. After all, learning another culture takes time, effort, and resources. It’s much easier for an organization to operate from an ethnocentric position. But unfortunately it may be much costlier.

Assumptions of Universality
One of the common comments you often hear from travellers to foreign countries is, ‘they may talk (dress, eat, etc.) differently, but underneath they’re just like us.’ But this is profoundly mistaken and potentially dangerous. People underneath are NOT alike. As culture is the whole view of the universe from which people assess the meaning of life and their appropriate response to it, they begin with different operating environments, run different software, have different database and process information differently.

Projected cognitive similarity (Figure 1.4) refers to the assumption that people are more similar to you than they actually are, or that a situation is more similar to yours when in fact it is not. Projected similarity reflects both a natural and a common process. American researchers Burger and Bass worked with groups of managers from fourteen different countries. They asked each manager to describe the work and life goals of a colleague from another country. In every case the managers assumed that their foreign colleagues were more like themselves than they actually were. People may agree on goals – for example, the corporate goals of organization – but they may expect to reach those goals by different methods.

Projected similarity involves assuming, imagining, and actually perceiving similarity when differences exist. Projected similarity particularly handicaps people in cross-cultural situations. As a South African, I assume that my Greek colleague is more South African than he actually is. As an Egyptian, I assume that my Chilean colleague is more similar to me than she actually is. When I act based on this assumed similarity, I often find that I have acted inappropriately and thus ineffectively.

Figure 1.4 Projected Similarity
At the base of projected similarity is a subconscious parochialism. I assume that there is only one way to be: my way. I assume that there is only one way to see the world: my way. I therefore view other people in reference to me and to my way of viewing the world. People may fall into an illusion of understanding while being unaware of ... [their] misunderstandings. "I understand you perfectly but you don’t understand me" is an expression typical of such a situation. Or all communicating parties may fall into a collective illusion of mutual understanding. In such a situation, each party may wonder later why other parties do not live up to the “agreement” they had reached.

Most international managers do not see themselves as parochial. They believe that as world travellers they are able to see the foreigner's point of view. This is not always true.

While it is important to understand and respect the foreigner's point of view, it is not necessary to accept or adopt it. A rigid adherence to our own belief system is a form of parochialism, and parochialism underlies projected similarity.

Business is multicultural; no organization can afford to go along believing that members of different cultures are all seeking to conform to one culture, or that one day differences will cease to exist. Therefore, the key for business is to find ways for people who think differently to work together.

**Importance of self-knowledge**

Know thyself;
Know thy enemies:
One hundred battles;
One hundred victories

SunTzu, Chinese martial philosopher

The best response for business across cultures is openness to what may be learned about another culture and drawn from it in order to communicate more effectively with its members. The same openness needs to be applied to one's self and one's own culture. In order to understand the other person you have to understand yourself. It isn’t easy because most what makes up a culture is absorbed unconsciously in the growing-up process of socialization. The transparent nature of culture windows is the basic difficulty in coming to terms with one's own culture. The more deeply embedded cultural valued and attitudes are, the less conscious they are and the harder they are to examine. As Hall says in describing a man in a foreign environment, ‘The more that lies behind his actions…, the less he can tell you’ (Hall Beyond Culture, p.116).

Most people assume that what they take for granted as natural is what everyone on this planet also considers natural. Most people only discover when they come into contact with something different that the ideas they hold as absolute truths are actually culture-based positions when basic assumptions are challenged one typical response is to find the other culture’s assumptions are irrational.

**Ethnorelativism**

Intercultural sensitivity is not natural. It is not part of our primate past, nor has it characterized most of human history. Education and training in intercultural relations is an approach to changing our ‘natural’ behaviour. With concepts and skills developed in this field, learners will transcend traditional ethnocentrism and explore new relationships across cultural boundaries. According to Hoopes (1981) ‘the critical element in the expansion of intercultural learning is not in the fullness with which one knows each culture, but the degree to which the process of cross-cultural learning, communication and human relations [has] been mastered (20).’ He lists the following stages of intercultural learning: ethnocentrism, awareness, understanding, acceptance/respect, appreciation/valuing, selective adoption, and, in the end, assimilation, adaptation, biculturalism, multiculturalism.
Fundamental to ethnorelativism is the assumption that cultures can only be understood relative to one another and that particular behaviour can only be understood within a cultural context. There is no absolute standard of rightness or ‘goodness’ that can be applied to cultural behaviour. Cultural difference is neither good nor bad; it is just different, although some cultural behaviours may be more adaptive than others to particular environmental conditions. One’s own culture is not any more central to reality than any other culture, although it may be preferable to a particular individual or group. Stages of ethnorelativism begin with the acceptance of cultural difference as inevitable and enjoyable, through adaptation to cultural differences with intercultural communication skills, to the final stage of integration in which ethnorelativism may be synthesized into a coherent and workable new identity.

Central to any intercultural communication skill is the ability to experience some aspect of reality differently from what is ‘given’ by one’s own culture. One of the best exercises for developing such empathy and reducing parochialism and projected similarity is role reversal. Imagine that you are a foreign businessperson. Imagine the type of family you come from, the number of brothers and sisters you have, the social and economic conditions you grew up with, the type of education you received, the ways in which you chose your profession and position, the ways in which you were introduced to your spouse, your goals in working for your organization, and your life goals. Asking these questions forces you to see the other person as he or she really is, and not as a mere reflection of yourself. It forces you to see both the similarities and the differences, and not to imagine similarities when differences actually exist. Moreover, role reversal encourages highly task-oriented businesspeople, such as Americans, to see the foreigner as a whole person rather than someone with a position and a set of skills needed to accomplish a particular task.

**Interacting with Other Cultures**

There exist various scenarios according to which our views on the life develop depending on the culture in which we try to establish them. It is difficult to estimate people by the way they look: majority of businessmen are dressed the same. Only when we say or do something the other people can understand how we live. Our actions or words can be described as the **cultural display** or **event** as they serve to show our cultural aims. If an Italian is half an hour late for a foreign business meeting, in his own native culture it will cause no indignation: others also behave like that. However, in Germany this behavior will cause a culture shock with grave consequences. Germans will become indignant even if kept waiting for 3 minutes; this situation will be followed by immediate irritation and protest, which will make the Italian defend himself. The appearing confrontation is blind alley and may lead to the breach in relationship. In close culture, say French, the criticism will be rather coarse, but still in a less categorical and condemnatory form. Next time, in response to the French accusations, the Italian will be only 20 minutes late, while the French, not relying on the punctuality of others, will be much more tolerant.

**Intercultural Transitions**

The ‘Culture Shock’ is one of the inevitable experiences of immersion in a new and unfamiliar culture. It’s important to know that culture shock and its symptoms are normal and to be expected in cross-cultural immersion experiences. Culture shock is the sense of dislocation along with the problems, psychological and even physical, that result from the stress of trying to make the hundreds of adjustments necessary for living in a foreign culture. The first stage of experiencing a new culture is usually **euphoria** (or **honeymoon**). This stage, when everything about the exciting new adventure is wonderful, generally lasts no longer than two weeks. The second stage is usually a downturn as **disillusionment** and **frustration** arise. This stage people usually refer to when they use the term ‘culture shock’. This is the sense of dislocation that results from finding out that inadequacies exist in your understanding, your mental road map, for
navigating in this new culture. Inevitably there are disappointments, in yourself and in others; inevitably you make mistakes. People experience psychological and physical symptoms of culture shock: depression, irritation, hostility and suspicion towards members of their host culture, chronic fatigue, lack of energy, etc. this stage can last longer than the first euphoric stage – perhaps months.

The third stage is adjustment. As the expatriate sees both sides and learns more about how the other culture works, he or she is able to cooperate more effectively with the members of the host culture. At this stage business can probably be conducted successfully.

The fourth stage, integration (maturity), occurs when the expatriate becomes fluent enough in the other culture to move easily within it and not be thrown by the different attitudes, beliefs, and values and by the behaviours they generate. At this stage the expatriate is able to identify with the host culture. Businesses whose employee achieves integration in another culture may feel at some risk: they may worry that their employee, who is now so at home in another culture, does not totally represent them anymore.

Most people who work in another culture, regardless of the length of the stay, experience all four stages of culture shock. Furthermore, the longer one stays, the more cycles one goes through; the fourth stage leads to another euphoric stage, followed by frustration and disappointment, followed by adjustment and so on.

**Types of Migrant groups**

1. sojourners - travellers, voluntary; usually limited period of time and with a specific purpose. Educational exchanges, corporate personnel, etc.
2. immigrant - mostly voluntary movement seeking a better life, or to be with family, or to find jobs or money or opportunity. "Choice" is relative but some measure of it is present for the immigrant.
3. long term refugees - forced to relocate permanently, usually due to economic, political, social, or natural disaster.
4. short term refugees - forced to relocate for shorter periods of time (though sometimes indefinitely). The difference is they usually intend to return.

**Existing Models of Adaptation**

1. Anxiety & Uncertainty Management Model (Gudykunst) - sees ambiguity as the key to managing intercultural relationships. The goal of communication is seen as reducing ambiguity and its consequent anxiety. predictive uncertainty - can't predict what the other culture will do in reaction to something. explanatory uncertainty - you can't explain why the culture will react in a given way. This model helps us to understand how we negotiate new cultural contexts by decreasing uncertainty and anxiety.
2. U-Curve Theory of Adaptation (Sverre Lysgaard) - argues that adaptation follows a "U-Curve."

3. Transition Model - Janet Bennett talks about culture shock as a smaller category fitting within "transition shock" - other transitions e.g. aging also produce similar crises and
shocks. One assumption of the transition model is that all transitions involve loss as well as change - experiencing the new first involves losing the old.

"Fight or flight" - most people adapt to abrupt transitions to new situations by leaving or by fighting against perceived threats. Such responses can be useful and productive, but in more extreme forms can be hostile and counterproductive.

4. Communication System Model (Young Yun Kim) - argues that stress and anxiety provoke adjustment and eventually growth. This process occurs through communication. Communication helps the adaptation take place, but it can also increase culture shock because it increases exposure to the other culture.

Three stage process of adaptation:
- taking things for granted (and surprise when that doesn't work - expectations can be wrong)
- making sense of new patterns through communication experiences
- understanding new information

Individual Influences on Adaptation.

Certainly race, class, gender, personality, age, and other factors will all play a role. The environment or context might be seen as more or less "friendly" to adaptation. It can help if the new environment is closer to the home culture (e.g. Americans going to the UK). Potential outcomes can include (1) psychological health, (2) functional fitness (a utilitarian perspective), and (3) the development of an intercultural identity with full integration into the culture.

Modes of Adaptation
1. assimilation - "melting pot" - loss of old culture and complete embrace of the new
2. separation - can be voluntary (e.g. Amish or Hasidim) or involuntary (e.g. apartheid).
   Separation involves the maintenance of a distinct and separate culture from the dominant culture.
3. integration - daily interaction with the new culture while maintaining a strong sense of cultural distinction. (e.g. Armenians in US cities).
4. marginalization - the culture is out of touch both with new and old cultures - usually b/c they have been pushed to the margins by the dominant culture, or in some cases been practically exterminated through genocidal policies (e.g. many native Americans experience this).

Reentry. Often reentering the old culture creates a new cycle of adaptation (the "W" curve).

The Culture Triangle

Thus, culture has been defined in many ways, including the following:
- A collective programming of the mind.
- The method society evolves to solve problems.
- Everything we take for granted
- Patterned ways of thinking feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups including their embodiment in artifacts; the essential core of culture consists of traditional ideas and
especially their attached values. In many ways, culture could be described as the personality of society
- The way we do things round here.

In a corporate environment culture usually means the behaviors and beliefs, norms and values which employees have in common. An investigation into what lies at the heart of cultural differences leads into history, sociology, philosophy, theology, mythology, in fact every branch of the humanities.

Some of the differences may seem superficial: dress, etiquette, food, hours of work. You can get used to them while you get on with the business. Some of the differences may be an improvement: people are more courteous, service is better. Others can be irritating, like the convention of punctuality. The least dangerous differences are the obvious ones: we notice them and can make adjustments. The dangerous ones are those that lie beneath the surface. Beliefs about the role of the boss, the function of meetings, the relevance of planning, the importance of teamwork, the very purpose of an organization are often taken for granted among colleagues. Yet they are very different even among close neighbors. Outward similarities between European business goals can conceal real differences in how they should be realized.

What determines how people behave and how they interact? In what way do they differ from company to company and country to country? And which differences get in the way of working effectively together?

Three categories of behavior predominate: communication, organization and leadership. These can be depicted in the Culture Triangle (see Figure 1.6).

**Communication** is centered around language. But it extends into non-verbal communication and other behaviors which give messages about our expectations and beliefs.

The other two categories relate to values. The first is a set of values about organization and the role of individuals within it. How is work organized? How do you forecast and plan? How is information gathered and disseminated? How do you measure results?

The second is a set of values about leadership. Who has power? How do you get it? How do you exercise it? What is authority based on? Who takes decisions? What makes a good boss?

*Figure 1.6. The Culture Triangle*
There is a spectrum of belief in each of these dimensions which combine to influence how people behave towards each other.

Several thousands national and regional cultures in the world may be conventionally divided into three groups: **monoactive** (task-oriented, clearly planning the activity), **polyactive** (people-oriented, talkative and communicative) and **reactive** (introvert, respect-oriented listeners). These kinds of cultures are discussed in detail in the topic Understanding Other Cultures.

**Business Cultures**

Businesses often reflect the values of the cultures and countries in which they developed. There are many varieties of what may be referred to as ‘industrial cultures’. Industry can be examined from a variety of standpoints to show how the same situations can be seen differently, not only because of occupational position and organizational structure, but also because of different cultural perspectives. Business and management are integrally bound up with questions of strategy, perceptions of risk and the interplay of cultures at different levels: organizational, occupational, ethnic and national.

The way all organizations work and do business is influenced by the work-based culture that surrounds them. Some of the cultural influences come from the nation or region in which the organization is based. Other cultural influences are related to the industry or market in which the organization operates.

Being aware of the influences of culture on organizations will help people understand the way the various parts of their organization works, as well as their customers and suppliers. Understanding the culture will allow improved processes to be developed, as well as establishing better relationships for the short and long term.

Investigations have shown that there are two distinct types of culture which organizations need to be aware of:

- **National Culture** - Which encompasses all characteristics and influences upon the individual or group, whether they come from national, social, work, or religious origins.

- **Business Culture** - Which encompasses only those characteristics and influences which relate to the work, or business, of the individual or group.

A business culture can be loosely defined as the atmosphere that permeates a business. Business culture is a business ‘feel’ or how it is sensed. Since we cannot accurately define business culture many owners and managers think it is all hot air. Just because we cannot define something precisely does not mean it does not exist.

Organizations which are fundamentally different to each other frequently have to work together, whether through mergers, alliances or other types of joint venture. The organizations which need to work together must understand the business culture of the participants, whilst being aware of the specific ways in which they prefer to manage and operate their business. This knowledge will help to ensure that appropriate partners are selected for the work involved. Understanding the other participants working methods can also reduce the occurrence of problems between the partners, and provide methods of resolving them when they occur, improving chances for success of the work.
In the world of business, where the bottom line is about both human capital and profitability, diversity arises in various forms:

*The merging of two or more cultures:* This could involve two large computer firms now working together due to a merger. It could involve the emerging need for two divisions within a company to work closely together, when they are located in and populated by two or more national groups. Not only language differences, but also communication patterns, planning methods, ways of rewarding employees, value placed on time, and many other factors may differ dramatically—creating misunderstanding and other difficulties.

*The wish to help leadership teams become less male-oriented:* Historically male patterns of leadership begin to shift as the leadership team becomes more gender-balanced. Antiquated, but still active, stereotypes and prototypes suddenly appear and interfere.

*The work culture changes as new management arrives:* An organization run by the founders group grows, and the next generation begins to lead. The former culture, familial and possibly patriarchal, is shocked by the emergence of a business culture seen as "strict." Promotions, raises, and complaints are more formal, replacing the "open door" policy of the "parent-leader."

*Consensus becomes difficult due to diverse understandings:* Pacing and work rhythms differ remarkably between cultures, particularly across national groups. Consensus is more difficult to achieve.

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**Summary**

This chapter began with a glimpse at why cross-cultural management issues matter to modern organizations. The culture was defined as coherent, relative, learned and shared. Then three levels of human mental programming were described, as well as typical reactions of people to unfamiliar cultures, such as assumptions of superiority, ethnocentrism, and assumptions of universality.

The chapter also considered the importance of self-knowledge and the concept of ethnorelativism as the effective way to understanding other cultures. It also covered the challenges of interacting with other cultures, including culture shock and reverse culture shock, existing models of adaptation. The concept of culture triangle and that of business culture were introduced.

The next chapter is going to look into the ways how culture functions and how it ranks values, furnishes attitudes and dictates behaviours.

**Questions for Reflection**

1. Think how national differences can serve as a source of competitive advantage for a global economy.
2. Why should an international executive understand cultural differences?
3. In which ways is your culture parochial? In which ways is it ethnocentric? Give concrete examples from situations that you have actually observed or that you have read about in press.
4. Even though the United States has been described as a ‘melting pot’, are there any significant differences in the observed behaviour of ethnic groups (Italian, Irish, Russian, Asian, Polish, and German) that can be attributed to cultural differences?
5. Comment on the following: A Canadian businessman bows to a Japanese businessman, although the Canadian would not bow to his fellow countryman; a Taiwanese businesswoman may kiss the cheek of a Brazilian businessman on first meeting, but would not kiss the cheek of a Taiwanese man or woman. What does such behaviour show in terms of interaction with another culture?

6. In reading the international press, identify a situation that involves people from more than one culture. Analyse the behaviour of participants in view of front-stage and back-stage culture.

**Key Terms**

Accommodate  
adjustment  
ambiguity  
attained values  
assimilation  
awareness  
bi-culturalism  
capacity for change  
coherence  
competitive advantage  
core of culture  
cultural blunder  
cultural diversity  
cultural sensitivity  
culture shock  
empathy  
ethnocentrism  
ethnorelativism  
euphoria  
expatiate  
frustration  
fundamental assumptions  
host culture  
inadequacies  
integration  
immersion  
maturity  
marginalization  
melting pot  
monoactive  
monolingualism  
multiculturalism  
parochialism  
perception  
polyactive  
prejudice  
programming of the mind  
projected cognitive similarity  
reactive  
re-entry  
relocate  
response  
role reversal  
tolerance  
transitions  
shared values  
self-defeating  
sense of dislocation  
sojourners  
suspicion  
uncertainty
**Literature**


