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SALES AND CROSS-CULTURAL MANAGEMENT

CHAPTER OVERVIEW

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3. IMPACT OF CULTURE ON SALES MANAGEMENT AND PERSONAL SELLING PROCESS
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Think of two major markets in Asia: Japan and China. Japan is a well-established developed country similar to the United States. One might assume that foreign firms can sell products pretty much the same way as they do in the United States. Such an assumption may prove to be very wrong! For example, U.S. automakers still have great difficulty making inroads into the Japanese market, even though Japan does not impose any tariffs or quotas on foreign products, and even though BMW, Mercedes-Benz, and Volkswagen have become familiar names in Japan. One major, yet little known, reason is in the way cars are sold in Japan. Unlike in the United States where customers visit car dealers, in Japan, door-to-door salespeople sell a majority of cars, much the same way Avon representatives sell personal care and beauty products. However, now the situation is gradually changing, and Japanese dealers are diversifying. They are investing more money in significantly larger American-style dealership operations and less in door-to-door sales and small one-car showrooms. The reason for this shift in sales strategies is that Japanese consumers increasingly dislike at-home sales calls, especially women, who today play a major role in new car purchasing decisions. However, traditional door-to-door sales remain effective in offering a high level of service that continue to determine which cars will eventually be sold, and will not disappear any time soon.[1]

[1]Alexandra Harney, "Death of the Salesman Spells Boost For Japan," *Financial Times* (January 5, 1999), p. 6; and Masataka Morita and Kiyohiko G. Nishimura, "Information Technology and Automobile Distribution: A Comparative Study of Japan and the United States," A working paper, University of Tokyo, August 25, 2000.

GLOBAL PERSPECTIVE 14-1

FOREIGN BUSINESS IN CHINA: SALESFORCE IS CRUCIAL

The world's top soy sauce producer, Kikkoman Corp. of Japan, opened a plant in Kunshan, Jiangsu Province, near Shanghai in May 2002 to produce high-end soy sauce. The leader of the company places high hopes on the Chinese operation, since potential consumers of soy sauce in China, albeit a mere 1 percent of the country's population, are as many as 13 million, equal to the population of Tokyo in Japan. But the company, which makes and sells soy sauce in the United States and Europe, does not engage in marketing in China, leaving sales activities to a local joint venture with Ton Yi Industrial Corp., Taiwan's leading food processor, which has significant experience in China and has its own sales network there. "We have realized that bill collection and other sales-related jobs in China are beyond our ability," said the president of Kikkoman.

Many foreign companies are repeating the process of trial and error in their attempts to take control of distribution, a key to conquering the puzzling Chinese market. Some focus on increasing the local network; some ally with partners with the aim of selling products through partners' sales channels; and some are terminating joint venture contracts with local state-run firms with weak marketing muscle in an attempt to build up sales networks of their own.

Under the circumstances, foreign manufacturers, which fear getting bogged down in the local distribution system, are getting forced to take an approach in which they sell a small amount of expensive products to China's new rich through foreign sales agents, who may be inferior in marketing ability but reliable in regard to paying for the goods they purchase. Currently the company sells its soy sauce at five or six times the price of the Chinese local product. According to its chairman and CEO, it will be another ten years before increased purchasing power allows Chinese consumers to trade up to Kikkoman. To grow businesses in China, only those who have a strong sales network, just like the Kikkoman-Ton Yi joint venture, are more likely to control and market to the mass consumers in China.

Sources: "China Market Huge but Hard to Crack," *Nikkei Weekly*, http://www.nni.nikkei.co.jp, July 1, 2002; "Kikkoman to Diversify Ops Abroad," *Nikkei Weekly*, June 20, 2005.

China, on the other hand, is an emerging economic and political giant. Foreign and local companies are fighting an increasingly fierce battle for a slice of the potentially lucrative Chinese market with its 1.3 billion potential consumers. However, it is not easy for foreign enterprises to establish a presence in the unfamiliar, rapidly changing market, where old and modern social systems coexist. The truth is that selling products is far more difficult in China than manufacturing them there. Business morals and practices have yet to develop sufficiently in the distribution sector. It is quite common for sales agents to channel products into the black market or for manufacturers' salespeople to discount prices for agents in exchange for secret rebates. Faced with China's labyrinthine sales channels, which even local manufacturers find difficult to manage, foreign businesses are often at a loss as to how to maneuver in them. In such a market, the local salesforce is crucial in penetrating the market (See **Global Perspective 14-1**). All these examples vividly illustrate the importance of international sales management.

What does the salesperson do in a company? We can think of many different types of salespeople, from entry-level laborers who stand behind the counter at an ice cream store to industrial experts who work entirely within the offices of a corporate client. Some salespeople sell products and others sell services. Some are focused on the immediate sale; some take overall responsibility for all aspects of a global business customer's business literally on a global basis. Salespeople take orders, deliver products, educate buyers, build relationships with clients, and provide technical knowledge.

In all cases the salesperson is the front line for the company. The customer sees only the salesperson and the product. Through the salesperson, the customer develops an opinion of the company. And the success or failure of the company rests largely on the ability of the salesforce. We cannot overstate the importance of making good decisions when those decisions affect the quality and ability of the company's salesforce. This chapter investigates how the processes of sales management and personal selling are changed when taken overseas into another culture.

EXHIBIT 14-1
INTERNATIONAL SALES STRATEGY AND INTERCULTURAL CONSIDERATIONS

International Sales Strategy Issues	*Intercultural Issues within the Foreign Country*
Global/International vs. local account management	Motivation
Salesforce skill availability	Cultural sensitivity
Country image	Ethical standards
Expatriate recruiting	Fairness
Centralized training	Relationship building
Home to host communications	Selling style differences

So what is international about sales management and personal selling? First, we can break international sales management issues into two categories that provide a clarification of the use of the term *international* (1) *international strategy considerations*—issues that analyze more than one country's assets, strengths, and situations, or that deal directly with cross-border coordination and (2) *intercultural considerations*—issues that focus on the culture of the foreign country and its impact on operations within that country.

Although these two categories are not mutually exclusive, they help to clarify what makes international sales management considerations different from domestic sales management. A list of examples appears in **Exhibit 14-1**.

In this chapter, we highlight issues related to the choice of market entry method and the sales management step to setting salesforce objectives. In relating foreign entry choices to sales management, we provide a framework for thinking about the effects of various salesforce management issues. Subsequently, we ask the student to carefully consider the cultural generalizations that influence international decisions and interactions. Poor generalizations will produce flawed sales management. Good tools for generalizing about cultures can help the international manager make decisions that accurately take into account cultural differences.

We discuss how cultural differences, in general, affect issues central to sales management. We consider cultural impacts on recruiting, training, supervising, and evaluating salespeople, as well as on the personal sales process. We also examine a special form of cross-cultural interactions: international negotiations.

Finally, we discuss the complex issues involved when a company sends its employees overseas. A company that uses expatriates successfully has significant advantages, but the process requires careful selection, training, supervision, and evaluation of personnel.

MARKET ENTRY OPTIONS AND SALESFORCE STRATEGY

In the salesforce management "process," we start with setting objectives and strategy. These steps include determining the goals and purposes of the salesforce and the structure that will best meet those goals. To a large extent, these initial steps determine the requirements for the subsequent steps in the process—recruiting, training, supervising, and evaluating.

The question of *how to enter the market* is central to marketing. As a company decides what form its market entry will take, it is making a decision that limits and defines key underlying aspects of its future salesforce management. For example, if a company decides to sell its products in the United States through a large, integrated distributor, it may only need a small, highly mobile salesforce.

In international sales, the form of entry has even greater implications in international sales. The form of entry determines how large the salesforce needs to be, and will influence how much training it will require. It also influences whether the salesforce is predominantly local foreign citizens or whether it is primarily expatriates. This composition then influences the compensation scale required. Clearly, the form of entry directly influences many of the *downstream* salesforce management options. This section reviews various options for entering a foreign market and summarizes the principal implications and questions each option raises.

The entry method we have been referring to is also termed the *level of integration* in the market. Forward integration suggests greater ownership and control of the distribution channel. For example, a company might begin its foreign sales by exporting through a merchant distributor who takes title to the product and performs all necessary foreign sales functions. Later, the company might integrate forward into the distribution channel by hiring its own commissioned sales agents in the foreign country. Still greater forward integration might consist of the company purchasing a sales subsidiary and establishing product warehouses abroad.[2]

Determining the best level of integration is an issue more appropriate for a chapter on international strategy than sales management. However, in determining the entry form, the company must consider the subsequent influences it will have on their sales management options. In general, a greater forward integration is preferred when: (1) the operation is large enough to spread out the overhead costs of owning and maintaining infrastructure and training and supervising employees; (2) an inability to enforce contractual obligations on outside intermediaries or some other need for greater control of the sales process requires a strong presence in the host country; and (3) sales of a service usually require a presence in the country earlier than would otherwise be considered.

A number of typical entry approaches and the sales management concerns each raises are presented in **Exhibit 14-2**.

Selling through an Export Management Company (EMC) or an Export Trading Company (ETC) is considered a low-involvement approach to international sales. **Export management companies (EMCs)** in general, serve the needs of their clients in entering a market or sourcing goods from a market. They are characterized by their "service" nature and efforts to interact with and meet the needs of the exporter client. Many EMCs have specific expertise in selecting markets abroad and finding customers due to their language capabilities, previous business experience in the country, or a network of their business contacts. The EMC works with an exporter in one of two ways. First, the EMC may act as an agent distributor performing marketing services for the exporter client, responsible primarily for developing foreign business and sales strategies and establishing contact abroad. For this prospecting role, the EMC earns its income from a commission on the products it sells on the exporter's behalf. Second, the EMC can act as a merchant distributor, who purchases products from the domestic exporter, takes title, sells the product in its own name, and consequently assumes all trading risks. The domestic exporter selling directly to the merchant EMC receives its money without having to deal with the complexities and trading risks in the international market. On the other hand, the exporter is less likely to build its own international experience. Many inexperienced exporters use EMCs services mainly to test the international arena, with some desire to become direct participants once a foreign customer base has been established. This can cause conflict between the interests of the EMC and those of the client exporter.

Since the late-1990s, the rapid growth of the internet and the recent proliferation of e-business have generated threat to the future of EMCs. The impact of e-business on the survival of EMCs has been a subject of serious debate for some time. However,

[2]Saul Kline, Gary L. Frazier, and Victor J. Roth, "A Transaction Cost Analysis Model of Channel Integration in International Markets," *Journal of Marketing Research*, 27 (May 1990), pp. 196–208.

EXHIBIT 14-2
DEGREE OF INVOLVEMENT AND SALES MANAGEMENT ISSUES

Degree of Involvement	*Examples*	*Description*	*Sales Management Concerns*
Limited Foreign Involvement and Visibility	Export Management Companies (EMC), Export Trading Companies (ETC), direct exporting, licensing	• Concerned with contract for sales from the United States • No salesforce or representatives abroad • Little or no control over foreign marketing process	• Goals of the company may not take precedence • Low foreign image and stability • Impossibility of training salesforce
Local Management and Salesforce	Piggybacking, selling through chains	• Little attempt to make foreign sales imitate U.S. sales culture • May "borrow" a salesforce or sell via direct contracts from abroad with multidistributor outlets	• Ineffective customs (lack of influence) • Low product knowledge • Control (trust, commitment) • Poor communications
Expatriate Management and Local Salesforce (Mixed)	Selling through chains with locals, direct selling with locals	• Expatriates oversee sales regions, lead training	• Perceptions of equality and fairness • Cultural interactions
Heavy to Complete Expatriate Salesforce	Traveling global salesforce, high technology experts	• Client-by-client sales by expatriate salesforce	• Lack of local understanding of insiders and market workings • High cost • Difficulty in recruiting expatriates • Country limits on expatriates or rules, such as taxes, which vary depending on foreign presence

according to a recent research, this might not be the case. Based on the resource-based perspective of the firm, this study suggests that the primary reason underlying the survival of the EMCs in the past has been their market-based resources and capabilities accumulated over time and this would also be the primary reason of their survival and re-intermediation in the future. By appropriately weaving e-business into their market-based resources and capabilities, the well-established EMCs can acquire a superior position of value creation vis-à-vis their suppliers in their value chains. As a result, the EMCs are expected to continue to play an important mediator role for inexperienced exporters.[3]

Export trading companies (ETCs) are usually large conglomerates that import, export, countertrade, invest, and manufacture in the global arena. The ETC can purchase products, act as a distributor abroad, or offer services. Mitsubishi, Mitsui, Sumitomo, and Marubeni, among others, are major examples of an ETC, which are known in Japan as **sogoshosha** (general trading companies).[4] ETCs utilize their vast size to benefit from economies of scale in shipping and distribution. In the United States, the Export Trading Company Act of 1982 exempted ETCs from antitrust laws.[5] The intent was to improve the export performance of small and medium-sized companies by allowing them joint participation with banks in an ETC. ETCs offer the exporting

[3]Varinder M. Sharma, "Export Management Companies and E-Business: Impact on Export Services, Product Portfolio, and Global Market Coverage," *Journal of Marketing Theory & Practice*, 13 (Fall), 2005, pp. 61–71.

[4]Lyn S. Amine, S. Tamer Cavusgil, Robert I. Weinstein, "Japanese Sogo Shosha and the U.S. Export Trading Companies," *Journal of the Academy of Marketing Science*, 14 (Fall 1986), pp. 21–32.

[5]Daniel C. Bello and Nicholas C. Williamson, "The American Export Trading Company: Designing A New International Marketing Institution," *Journal of Marketing*, 49 (Fall 1985), pp. 60–69.

company a stable, known distributor, but they do not give the exporting company much control over or knowledge about the international sales process.

A recent empirical study, which estimates the determinants of the manufacturing exports demand from 1978 to 2004 to identify the effect of this exemption on the real value of exports, indicates that the program created by the ETC Act to provide limited antitrust immunity for joint export activity appears to have no statistically significant effect on the real value of U.S. exports. However, it also concludes that, although ETC Act has limited impact on the country's economy, it does present anecdotal evidence that shows its facilitation on some business cases to increase industry exports.[6]

Licensing also represents a low-involvement approach to foreign sales. The company licenses its product or technology abroad and allows the contracting foreign company to coordinate the production and foreign distribution of the product.

Limited involvement approaches to international market entry simplify sales management greatly by reducing it to a predominantly domestic activity. There is little need to recruit, train, supervise, or evaluate a foreign or expatriate salesforce. However, companies that follow a limited involvement approach sacrifice the benefits that hiring and training their own salesforce can provide. These benefits include the ability to motivate and monitor the salesforce and to train them to better serve the customer, the customer loyalty that a dedicated salesforce can generate, and the perception of permanence and commitment that a dedicated salesforce conveys. Many foreign companies look for such an indication of stability and commitment when selecting suppliers.

Mid-level involvement approaches to foreign sales are those in which the company controls some portion of the distribution process. Thus, the company must employ some management or salesforce abroad. This work force may be either predominantly host country employees, or it may include a large share of expatriates. In either case, the company deals face to face with the foreign culture, and intercultural communication becomes a significant issue. Training can help reduce misunderstandings and miscommunications, and can provide both sides with tools to understand the perspectives of the others. For example, training helps the local salespeople better understand the company's policies by reviewing its history and goals. Training also helps the expatriates understand the local market by reviewing the norms of business within their industry and country.

The choice of whether to rely on expatriate involvement is not an easy one. Without expatriate involvement, the company could decide that it is difficult to control the sales process, even though it owns part of the process. With expatriate involvement, local nationals could envy the expatriates' higher levels of pay or resent the limitations on their career opportunities with the company.

High involvement approaches are those in which the company substantially controls the foreign distribution channels. The company could own warehouses to store products and outlets where the products are sold, and it could manage a large, dedicated salesforce abroad. Typically, if a domestic company is highly involved in a foreign market, at least some of that presence will be expatriates. For some companies only the top officer abroad is an expatriate. For others, the expatriate presence is much stronger.

The benefits of controlling distribution include the ability to recruit, train, and supervise a foreign salesforce that can best represent the company abroad. However, controlling distribution requires that the sales volume be large enough to justify the costs, and it also requires enough experience to avoid costly errors.

Role of Foreign Governments

At the time the company is considering its entry strategy, it should consider foreign government rules and practices. Many host country governments design regulations to

[6]Margaret C. Levenstein and Valerie Y. Suslow, "The Economic Impact of the U.S. Export Trading Company Act," *Antitrust Law Journal*, 2007, 74 (2), pp. 343–86.

protect local firms from international competition and ensure that local citizens benefit from experience in management positions at international companies. Thus, governments limit the number of international companies they allow to sell in the market, and they require that foreign companies fill a large number of positions with local citizens. Even the United States follows such practices. The U.S. Immigration and Naturalization Service does not let foreign managers enter the United States to work when it believes that there are U.S. citizens capable of performing the same jobs. Foreign countries also often dictate who can enter, for how long, and for what jobs. These requirements can determine which entry strategy makes sense for a company.

A second issue in deciding the entry approach is the role expected of companies as "corporate citizens" in the country. If a company sets up a complete sales and distribution subsidiary, it may be expected to build local infrastructure, support local politicians, or take part in local training initiatives. Such considerations will weigh in on the choice of the sales approach.

CULTURAL CONSIDERATIONS

Personal Selling

At the level of **personal selling** there is little true *international* selling. The sales task tends to take place on a national basis. Generally, salespeople perform the majority of their sales within one country—probably even within one region or area of a country. A salesperson selling big-ticket items, such as airplanes or dam construction, could sell to many countries. But even then, each sale is a sale within one country, and the entire sales process takes place in one country. Furthermore, despite growing "international sales," salespeople typically work in only one region. Even in the European Union (EU), for example, where close borders and similar economies could encourage salespeople to work over larger areas, personal selling activities still remain bound mostly to a country or a region. Thus, an analysis of *international* personal selling is a study of how differences in culture impact the forms, rules, and norms for personal selling within each country.[7]

Personal selling is predominantly a personal activity. It requires that the salesperson understand the customer's needs and wants. The salesperson must understand local customs well enough to be accepted and be able to form relationships with the customers. Do customers require a close, supportive relationship where the salesperson regularly checks up on them and knows the names of relatives? Does the customer expect some favors to "lubricate the process"? Each culture has different norms for the process of selling and buying.[8]

Throughout this chapter, we refer to the need to adapt sales and management techniques to the local culture to be successful.[9] It would be wonderful if a diagram were available that could help managers plot the appropriate solutions for each country. Although such a diagram is too much to hope for, we can look at some common generalizations and categorizations of cultural traits and consider how they could affect our sales approach. We must take care, however, not to imply that any culture can be described accurately in a few words or categories.

[7]See, for example, Joel Herche and Michel J. Swenson, "Personal Selling Constructs and Measures: Emic versus Etic Approaches to Cross-National Research," *European Journal of Marketing*, 30 (7) 1996, pp. 83–97; Ravi Sohi, "Global Selling and Sales Management-Cross Cultural Issues-National Character," *Journal of Personal Selling & Sales Management*, 19 (Winter 1999), pp. 80–81; and Nina Reynolds and A. Simintiras, "Toward an Understanding of the Role of Cross-Cultural Equivalence in International Personal Selling," *Journal of Marketing Management*, 16 (November 2000), pp. 829–51.

[8]Bruce Money, Mary C. Gilly, and John L. Graham, "Explorations of National Culture and Word-of-Mouth Referral Behavior in the Purchase of Industrial Services in the United States and Japan," *Journal of Marketing*, 62 (October 1998), pp. 76–87.

[9]Chanthika Pornpitakpan, "The Effects of Cultural Adaptation on Business Relationships: Americans Selling to Japanese and Thais," *Journal of International Business Studies* 30 (Second Quarter 1999), pp. 317–38.

R. Lord/The Image Works

An Avon sales representative selling to customer in a rural area in São Paulo, Brazil. This local sales rep has good personal knowledge of this rural community and customers.

Cultural Generalization

As an example of a cultural generalization with both helpful insights and misleading oversights, consider the foreign view of Germans. Germans are typically viewed as scientifically exacting and industrious people. We could therefore approach sales in Germany by building a small core of technically trained, independent sales agents. However, if we think Germans look at work the same way Americans do, we will be misguided! The typical German manufacturing workweek is only thirty hours. Also, Germans jealously guard their free time and show little interest in working more to earn more.[10]

We must also be careful not to group people from what may appear to us as very similar cultures, but who consider themselves, and react to situations, in a very distinct manner. Consider, for example, South Korea and Japan. We may think that Koreans would be accustomed to the same bottom-up, consensual decision-making approach for which the Japanese are known. Korean workers, however, tend to work within a top-down, authoritarian leadership structure,[11] and require a higher level of definition in their job structure to avoid suffering from role conflict. A Korean salesperson might accept as normal a short-term position with few prospects for long-term progress, whereas a Japanese salesperson would not dream of it.[12]

Another example is the differences in the orientation of salespeople in Australia and New Zealand. Most of us tend to think that their cultures are very similar. However, salespeople in New Zealand tend to be more committed to, and generally more satisfied with, their work than their Australian counterparts. Additionally, there are differences in preferences toward compensation (Australians preferring greater security in the form of larger salary) and special incentives (New Zealanders having a much higher preference for travel with other winners and supervisory staff).[13] In a way, salespeople in New Zealand share more similarities in their value system with their Japanese counterparts than their Australian neighbors.

These and other observations suggest that cultural generalizations may be risky even among seemingly similar countries, particularly at the operational level. As explained earlier in Chapter 4, one of the most widely used tools for categorizing cultures for managerial purposes is Hofstede's scale of five cultural dimensions (i.e., power/distance; uncertainty/avoidance; individualism/collectivism; masculinity/

[10]Daniel Benjamin and Tony Horwitz, "German View: You Americans Work Too Hard—And For What?" *Wall Street Journal* (July 14, 1994), p. B1.

[11]Hak Chong Lee, "Managerial Characteristics of Korean Firms," in K. H. Chung and H. C. Lee, eds. *Korean Managerial Dynamics* (New York: Praeger, 1989), pp. 147–62.

[12]Alan J. Dubinsky, Ronald E. Michaels, Masaaki Kotabe, Chae Un Lim, and Hee-Cheol Moon, "Influence of Role Stress on Industrial Salespeople's Work Outcomes in the United States, Japan, and Korea," *Journal of International Business Studies*, 23 (First Quarter 1992), pp. 77–99.

[13]William H. Murphy, "Hofstede's National Culture as a Guide for Sales Practices across Countries: The Case of a MNC's Sales Practices in Australia and New Zealand," *Australian Journal of Management*, 24 (June 1999), pp. 37–58.

femininity; long-term/short-term orientation). Hofstede's scale uses many questions to determine where countries, not individual people, stand on each dimension.

Corporate (Organizational) Culture

As also explained in Chapter 4, companies also have their own distinct **corporate (organizational) cultures**. The culture at a company helps determine the norms of behavior and the mood at the workplace. This corporate culture acts in conjunction with national or country culture to set the values and beliefs that employees carry in the workplace.

The differences between the cultures of any two companies have been found to be determined significantly by the *practices* of those already in the company, especially the founders. By contrast, the differences between the cultures of companies in two countries are based more in the ingrained cultural *values* of the employees.[14] Values are learned earlier in life and are much more difficult to change than practices. Consider an example of the difference in trying to modify each. We might expect to initiate novel work practices without strong negative reactions from the employees. For example, we might ask salespeople to report to a group instead of to a boss in an effort to instill a sense of group responsibility. However, if we attempt to change procedures that are strongly rooted in the values of a country's culture, we may be asking for a negative response. Consider the troubles we might encounter if we attempted to integrate men and women in the salesforce in Saudi Arabia. At the very least we would not bring out the best the salesforce has to offer.

Thus, although corporate cultures determine much about the working environment and even the success of an organization, the practices that characterize them are fairly malleable. Country cultures, and more specifically, the values people build at an early age in life, also greatly influence which management practices will succeed. However, cultural values are fairly fixed—do not underestimate the importance of cultural values and people's unwillingness to change them.[15]

Relationship Marketing

In the last twenty years, influenced by Japan's vertical *keiretsu* (a closely knit group affiliation among the principal company, upstream suppliers of components and other materials, and downstream retailers for its finished products along the value chain), an increasing number of companies, such as Bose, Compaq, and Motorola, have begun to station their engineering personnel in their independent parts suppliers for more effective product development and to station their sales personnel work in the retailer's offices. The principal companies can track demand at store levels directly and place orders on a just-in-time basis. Both up-stream and down-stream involvements by the principal companies along the value chain can manage information flow from the retailers and customers more effectively and step up the pace of new product development.[16]

This type of buyer-seller relationship is a win-win situation because both sides gain from the deal (albeit in different ways). Thus, they start out with the intention of producing a mutually beneficial arrangement. An increasing number of organizations have, indeed, come to see the relationship as one of interdependence; the two sides adopt a peer-to-peer relationship.

Indeed, the relationship between a seller and a buyer seldom ends when the sale is made. In an increasing proportion of transactions, the relationship actually intensifies subsequent to the sale. This becomes the critical factor in the buyer's choice of the seller the next time around. How good the seller-buyer relationship is depends on how well the seller manages it.[17] Again, many companies are finding that adoption of the personal computer technology in maintaining product, pricing, and technical data for effective customer relationships is crucial for their success.

[14] Geert Hofstede, Bram Neuijen, Denise Daval Ohayv, and Geert Sanders, "Measuring Organizational Cultures: A Qualitative and Quantitative Study Across Twenty Cases," *Administrative Science Quarterly*, 35 (1990), pp. 286–316.

[15] Ibid.

[16] Michiel R. Leenders and David L. Blenkhorn, *Reverse Marketing: The New Buyer-Supplier* Relationship, New York: Free Press, 1988.

[17] Gila E. Fruchter and Simon P. Sigué, "Transactions vs. Relationships: What Should the Company Emphasize?" *Journal of Service Research*, 8 (August 2005), pp. 18–36.

It is almost a decade since management consultancy Bain & Co carried out its groundbreaking research into the key differences between customer acquisition and customer retention.[18] By considering the real costs and long-term returns, the research revealed that most companies often understate acquisition costs, while cross-selling to an existing customer cost one-sixth of the price of making a sale to a prospect. Bain introduced one of the most famous equations in marketing: a 5-percent increase in customer retention would increase the value of each customer by between 25 and 100 percent. The potential implied in that finding led directly to customer relationship marketing.[19]

Good customer relationships are important by any means in any market. However, they tend to be more conspicuous in high-context cultures, such as Asian and Latin American countries. As discussed in Chapter 4, people in high-context culture countries tend to prefer group-oriented decision-making processes, unlike low-context culture countries, such as the United States and Western and Northern European countries, where decision-making processes are individualistic. In many firms, salespeople are also the primary source of information exchange within a customer-seller relationship and thus play a critical role in the formation and sustainability of customer relationships. To the extent customer relationship marketing is important, the personal traits of sales managers need to be carefully examined, particularly when they engage in "selling" to corporate clients in other countries.

Myers–Briggs Type Indicator

All business is personal. Despite all the time that marketing departments put into persuasive press releases and snazzy computer presentations, in the end, people do business with people. It means that prospective customers have to like and trust salespersons from the get-go.

One popular tool for characterizing people that addresses their cognitive styles is the **Myers–Briggs Type Indicator (MBTI)** (See **Exhibit 14-3**). The MBTI is based on the

EXHIBIT 14-3
MYERS–BRIGGS TYPE INDICATOR OF PERSONAL CHARACTERISTICS

Personal Dimension	*Description*
Extrovert vs. Introvert	An extrovert tends to rely on the environment for guidance, be action-oriented, sociable, and communicate with ease and frankness. An introvert tends to show a greater concern with concepts and ideas than with external events, relative detachment, and enjoyment of solitude and privacy over companionship.
Sensing vs. Intuitive	A sensing person tends to focus on immediate experience, become more realistic and practical, and develop skills such as acute powers of observation and memory for details. An intuitive person tends to value possibility and meaning more than immediate experience, and become more imaginative, theoretical, abstract, and future oriented.
Thinking vs. Feeling	A thinking person tends to be concerned with logical and impersonal decision-making and principles of justice and fairness, and is strong in analytical ability and objectivity. A feeling person tends to make decisions by weighing relative values and merits of issues, be attuned to personal and group values, and be concerned with human, rather than technical, aspects of a problem.
Judging vs. Perceiving	A judging person tends to make relatively quick decisions, be well planned and organized, and seek closure. A perceiving person tends to be open to new information, not move for closure to make quick decisions, and stay adaptable and open to new events or change.

Source: Constructed from Neil R. Abramson, Henry W. Lane, Hirohisa Nagai, and Haruo Takagi, "A Comparison of Canadian and Japanese Cognitive Styles: Implications for Management Interactions," *Journal of International Business Studies*, 24 (Third Quarter 1993), pp. 575–87.

[18] Frederick Reichheld, *The Loyalty Effect*, Boston, MA: Harvard Business School Press, 1996.

[19] David Reed, "Great Expectations," *Marketing Week*, April 29, 1999, pp. 57–58.

following four personal dimensions: (1) extrovert versus introvert, (2) intuitive and sensing, (3) thinking versus feeling, and (4) judging versus perceiving.

Using this scale, Abramsom, Lane, Nagai, and Takagi[20] found significant cognitive distinctions between Canadian and Japanese MBA students. The English-speaking Canadian students preferred intuition, judgment, and thinking, whereas the Japanese students preferred sensing, perceiving, and thinking, but were more feeling-oriented than the Canadian students. In summary, the English-speaking Canadians displayed a logical and impersonal, or objective, style that subordinates the human element. The Japanese displayed a more feeling style, which emphasized the human element in problem solving such as being sympathetic and trust building in human relations. English-speaking Canadians have a tendency to seek fast decisions and rush to closure on data collection. The Japanese were found to resist quick decision-making because of their preference for obtaining large amounts of information. A recent study also shows that French-speaking Canadians in Quebec, unlike the English-speaking Canadians, are indeed a bit more similar to Japanese in terms of their emphasis on trust building.[21] Indeed, Japanese salespeople, who emphasize trust building, use more word-of-mouth referrals in consummating sales than American counterparts.[22]

Although the Myers-Briggs Type Indicator categorizes personal style and traits, there is some similarity to the national culture classification schemes such as Hall's high versus low context cultures and Hofstede's five components of culture (explained earlier in Chapter 4). People from low-context (individualistic) culture tend to be extrovert, intuitive, thinking, and judging, while those from high-context (group-oriented) culture tend to be introvert, sensing, feeling, and perceiving in orientation. Of course, the interpretation of cultural characteristics at the personal level may border on stereotyping. Rather, think of cultural traits as a general tendency in evaluating personal style and traits.[23]

Differences in style and traits must be taken into consideration whenever two cultures interact. In international sales, cross-cultural interaction takes place between the home office and the subsidiary, between expatriate managers and the salesforce, or between an expatriate salesperson and the customer. If the cultural norms and cognitive styles of both sides are more clearly understood, it will help reduce misconceptions and miscommunications.

IMPACT OF CULTURE ON SALES MANAGEMENT AND PERSONAL SELLING PROCESS

In general, the human resource practices of multinational corporations (MNCs) closely follow the local practices of the country in which they operate.[24] These human resource practices include: time off, benefits, gender composition, training, executive bonuses, and participation of employees in management. However, human resource practices

[20]Neil R. Abramson, Henry W. Lane, Hirohisa Nagai, and Haruo Takagi, "A Comparison of Canadian and Japanese Cognitive Styles: Implications for Management Interactions," *Journal of International Business Studies*, 24 (Third Quarter 1993), pp. 575–87.

[21]Joseph P. Cannon, Patricia M. Doney, and Michael R. Mullen, "A Cross-Cultural Examination of the Effects of Trust and Supplier Performance on Long-Term Buyer-Supplier Relationships," *Enhancing Knowledge Development in Marketing*, 1999 American Marketing Association Educators' Proceedings, Summer 1999, p. 101.

[22]R. Bruce Money, Mary C. Gilly, and John L. Graham, "Explorations of National Culture and Word-of-Mouth Referral Behavior in the Purchase of Industrial Services [FN] in the United States and Japan," *Journal of Marketing*, 62 (October 1998), pp. 76–87.

[23]See, for example, William J. Bigoness and Gerald L. Blakely, "A Cross-National Study of Managerial Values," *Journal of International Business Studies*, 27 (Fourth Quarter 1996), pp. 739–52; and Kwok Leung; Rabi S. Bhagat, Nancy R. Buchan, Miriam Erez, and Cristina B. Gibson, "Culture and International Business: Recent Advances and their Implications for Future Research," *Journal of International Business Studies*, 36 (July 2005), pp. 357–78.

[24]Philip M. Rosenzweig, and Ritin Nohria. "Influences on Human Resource Management Practices in Multinational Corporations," *Journal of International Business Studies*, 25 (Second Quarter 1994), pp. 229–51.

also depend on the strategy desired, the culture of the company, and even the country from which the company originated.

Thus, although we can say that the sales management process should adapt to the local environment,[25] we acknowledge the difficult give-and-take involved in adapting a company's culture and procedures with the sales and management practices of a foreign country.

> When host-country standards seem substandard from the perspective of the home country (manager), the manager faces a dilemma. Should the MNC implement home country standards and so seem to lack respect for the cultural diversity and national integrity of the host (country)? Or, should the MNC implement seemingly less optimal host country standards?[26]

One recent study suggests that international differences in the effectiveness of different sales management should be incorporated into the design of control systems, should involve local personnel in the decision, and should allow local countries' flexibility in the implementation of control strategy. The transfer of sales management practices across different countries without careful attention to local differences is very risky.[27] One good exemplary hiring policy is presented in **Global Perspective 14-2**.

The process of salesforce management provides a framework for a closer look at the challenges involved in adapting management practices to a new culture. Salesforce management consists of the following six steps:

1. Setting salesforce objectives
2. Designing salesforce strategy
3. Recruiting and selecting salespeople
4. Training salespeople
5. Supervising salespeople
6. Evaluating salespeople

Salesforce Objectives

Setting salesforce objectives depends on having already determined the larger, strategic objectives of the company. A company can have the strategic objective of adding value by providing the customer more understanding of a product's use. Or the company could want to enter the market as the low-cost provider. Once such strategic objectives are decided upon, the company can evaluate what roles the salesforce will play in reaching these goals. These roles are the salesforce objectives. They explicitly state *what* the salesforce will be asked to do, whether it is solving customer complaints or pushing for publicity of the product.

Salesforce objectives will then influence much of the rest of the sales management process. If a salesforce objective is to expand market share, then the salesforce will be designed, recruited, trained, supervised, and evaluated using that objective as a guideline. Salesforce objectives will guide how much salesforce time and effort will be required for digging up leads versus working with existing customers, or how much effort will be placed on new products versus older products, or how much effort will be spent on customer satisfaction compared to sales volume.

[25]A recent study proves that when management practices are adapted to the national culture of a country in which the company operates, its financial performance tends to improve. See Karen L. Newman and Stanley D. Nollen, "Culture and Congruence: The Fit between Management Practices and National Culture," *Journal of International Business Studies*, 27 (Fourth Quarter 1996), pp. 753–79.

[26]Thomas Donaldson, "Multinational Decision-Making: Reconciling International Norms," *Journal of Business Ethics*, 4 (1985), pp. 357–66.

[27]Nigel F. Piercy, George S. Low, and David W. Cravens, "Consequences of Sales Management's Behavior—and Compensation-Based Control Strategies in Developing Countries," *Journal of International Marketing*, 12 (3), 2004, pp. 30–57.

GLOBAL PERSPECTIVE 14-2

TGI FRIDAYS, INC.

In setting up overseas, the restaurant chain, TGI Fridays, an American bar and diner concept, follows a key series of guidelines:

- Choose a local development partner to guide through government obstacles, local hiring practices, and on-site business hurdles.
- Concentrate on hiring fun employees who "fit" the company's image—"fun" people willing to sing "Happy Birthday" to a customer.
- Entrust the entire operation to the overseas management after business practices and philosophy have been completely transferred.
- In seeking new overseas managers, look for foreign nationals on assignment or pursuing studies in the United States and offer them an opportunity to return home, bringing back with them the knowledge they have acquired about U.S. culture, and business and service standards. But just as important, they are experts in the traditions, ethics, and ways of life of the customers (we) want to serve in foreign markets.

An example of these guidelines put into practice is TGI Fridays' expansion into England. Its success can be attributed to the chain's strong local partner, Whitbread PLC, successfully operating under license from the parent company in the United States.

The company's own research shows that 25 percent of customers return to the restaurant at least once per month. During weekdays the typical customer is female in her thirties and is in a professional, managerial, or white-collar occupation. However, the typical customer profile changes throughout the day: business lunches, families in the afternoon and early evening, couples and young adults in the later evening. At the weekend customers typically include large numbers of families. There are also some significant differences between customer profiles in London and the provinces.

In these circumstances, employee performance, particularly of front-line staff, has a crucial role to play. The success of the service depends on the worker's ability to construct particular kinds of interactions. "Dub-Dubs," as the waiting staff are called, have to advise customers on the menu and how best to structure their meal. They also have to identify the customer's service requirements and deliver what is needed. In some cases, having a good laugh with the customers is needed. At other times they have to entertain restive children. Employee performance requires more than the traditional acts of greeting, seating and serving customers. Employees have to be able to provide both the behaviors and the emotional displays to match with customer wants and feelings. In other words, the ability to "connect with others" is a crucial ingredient for high employee performance.

Sources: Mark Hamstra, "Operators Bullish about Opportunities in Overseas Markets, Despite Turmoil," *Nation's Restaurant News* (October 5, 1998), p. 86; and Conrad Lashley, "Empowerment through Involvement: A Case Study of TGI Fridays Restaurants," *Personnel Review*, 29 (5/6, 2000), pp. 791–815.

Setting salesforce objectives will require a very similar approach internationally as it does domestically. In fact, many "international" salesforce issues are really local issues in a foreign country. However, setting the best international salesforce objectives depends not only on the company goals, but also on an analysis of the culture and values of the country it is entering. The company could use a standardized approach for all countries, or it might customize its salesforce management approach from the ground up for each country. Most companies will probably customize some aspects of each country's salesforce objectives, but will follow previously held beliefs about the purpose of the salesforce to decide most objectives. Once the objectives are known, the company can begin designing the structure of the proposed salesforce.

Salesforce Strategy

With the salesforce's objectives set, the company can concentrate on the strategies needed to achieve those objectives. Salesforce strategy addresses the structure, size, and compensation of the salesforce.

The structure determines the physical positioning and responsibilities of each salesperson. A company selling one product to a dispersed client base might consider a *territorial salesforce*, with each salesperson responsible for a particular area and reporting up the line to regional sales managers. Another company, with numerous, unrelated, complex products, could consider a *product salesforce* structure, where each salesperson sells only one product or product line, even when selling to a single customer. A third company, which requires close contact with its customers to keep up with customer needs and build tight relationships, could employ a *customer salesforce* structure, in which account managers are responsible for particular clients. Each of these approaches has advantages and disadvantages. Choosing the most appropriate international salesforce strategy requires analyzing many of the same considerations as it does domestically. However, additional considerations could arise concerning the lack of capable local salespeople, the cultural expectations of clients, and the dramatically increased costs of maintaining expatriate personnel abroad.

The size of the salesforce depends on the sales structure. The company often calculates how many salespeople are needed by determining how many visits or calls each type of customer should receive and how many salespeople will be needed to make the necessary number of visits. In a foreign culture, customers' distinct expectations may modify the calculations. Although a client in the United States could be satisfied with buying large quantities of a product and hearing from the salesperson every six months, the foreign client could expect a salesperson to be in regular contact and could want to buy smaller quantities more regularly. Such considerations impact the salesforce size. For example, Wal-Mart, the world's largest company, has recognized that the key to its growth lies in rapidly growing China. Unlike Western consumers, Chinese customers tend to buy in smaller quantities and are accustomed to going to supermarket every one or two days. Thus, Wal-Mart Supercenters have to devote more floor space and sales associates to food than to other departments. Furthermore, because Chinese customers need to "feel" the merchandise (put their hands on it) before making the purchase, salesforce assignments need to be carefully examined in order to cater to Chinese consumers' characteristics. When Wal-Mart opened its Supercenter in Chongqing, a metropolis of 31 million in southwest China, it had to open 75 checkout lanes and embrace roughly 120,000 visitors in one single day.[28]

Salesforce compensation is the chief form of motivation for salespeople. However, companies do not pay salesforces equally in all countries. The purchasing power of the "same" quantity of money may not be the same. And more important, pay expectations, or the "going rate," varies dramatically from country to country. The company must carefully consider the social perceptions of its compensation scale. A commission-based compensation could not motivate salespeople in some other countries. A salary scale with large rewards for success could be viewed as unfair. The company must evaluate the impact that the compensation system will have on the employees and then consider what impact the system will also have on the final customer. The pay system must motivate salespeople to leave customers with the appropriate, desired perceptions of the company.

Recruitment and Selection

In order to successfully recruit and select salespeople, the company must understand what it wants in its salespeople and know how to find and attract people with the necessary skills. The first decision is whether the company will recruit from the local, foreign labor force for the jobs it is creating or whether it will fill them by sending domestic employees overseas. The company could find a strong cultural bias against salespeople in the local market and find it difficult to recruit the necessary talent. Even if it can recruit "talented" people, the company could not clearly know what skills and character traits will work the best in the unfamiliar culture. If the company tries to recruit employees at home, it may have a tough time convincing salespeople or managers with the necessary skills to take the time off from the "fast track" at home.

Complicating the search for talent is the fact that the desired skills and characteristics are not as clear as it first appears. Employers could base their expectations for salespeople on their domestic standards. For example, the employer could look for candidates with an outgoing attitude. However, in some cultures a quieter, more patient

[28] "The Great Wal-Mart of China," *Fortune*, July 25, 2005, pp. 104–116.

approach will truly maximize sales. The skills required for success as a salesperson depend on the culture in which the sales take place.

Finally, the employer must consider the strong influences of tribal, religious, or other group relations within a country. A Hindu might not want to make purchases from a Muslim. English companies might do better to hire Irish salespeople to make sales in Ireland. History could give one group a distinct advantage, especially where they have become accepted as a strong business force. For example, the Parsees in India manage an unusually large portion of the nation's business, and Chinese salespeople, the descendants of the Chinese merchant clan, are prominent throughout Asia.[29] A wise sales manager will look for and recruit a salesforce that takes advantage of each country's natural distinctions.

One way for the company to accelerate the difficult process of building a salesforce from scratch is to establish a joint venture with or acquire a local company that already has a functional salesforce. For example, when Merck wanted to expand its pharmaceutical business in Japan, it acquired Banyu Pharmaceutical instead of building its subsidiary and distribution channel from scratch. Merck had immediate access to Banyu's field salesforce of more than a thousand. In Japan, where personal relationships probably weigh more in importance than the quality of products per se, personal selling is all the more critical in relationship-building and -maintaining purposes. Similarly, When Wal-Mart wanted to expand into Europe, its first move was to buy out Wertkauf, a German national chain store, in order to have instant distribution channel members working for it and supply channels already established, as well as a beachhead for the rest of Europe.[30]

Training

Most sales training takes place in the country where staff members reside. The company determines how much technical, product knowledge, company history and culture, or other training its local salesforce requires. However, this country-by-country approach usually fails to develop a globally consistent sales and marketing strategy for MNCs. Therefore, an increasing number of globally oriented companies are now developing a globally consistent sales and marketing program to serve customers and foster long-term partnerships that would engage customers and meet their specific local needs and preferences. For example, BSC, a U.S. manufacturer of medical devices, selected AchieveGlobal in Tampa, Florida, to train its international sales and marketing staff. The two companies have developed a comprehensive training program, consisting of a three-day sales program for all employees and a two-day coaching seminar for sales managers. The sales training program incorporates product knowledge orientation with needs-satisfaction selling, extensive role-playing, and case studies. The session for managers shows them effective ways to coach their teams without handholding. Both companies ensure that BSC's entire sales and marketing staff is trained in the language of their specific country and that the program can be adapted to meet each local culture. This means not only translating the program's language into the local vernacular but also making sure the whole approach meets each country's specific needs. As a result, those sales managers are transferred to local markets with more consistent sales and marketing programs internationally.[31]

An additional consideration with regard to international sales training is adapting the training to the needs of the local market. For example, Carrefour, the French retail giant, has created the Carrefour China Institute to train its staff in China to engender the "Carrefour Spirit." Before opening stores in China, the company conducted in-depth research for store location, understanding of the local culture and traditions, and local consumer purchasing behaviors. Inevitably, Carrefour's concepts of "localization

[29]See an excellent treatise, Min Chen, *Asian Management Systems: Chinese, Japanese and Korean Styles of Business* (London: Routledge, 1995), pp. 69–83.

[30]John Fernie and Stephen J. Arnold, "Wal-Mart in Europe: Prospects for Germany, the UK and France," *International Journal of Retail & Distribution Management*, 30 (2/3) 2002, pp. 92–102.

[31]Slade Sohmer, "Emerging as a Global Sales Success," *Sales & Marketing Management*, 152 (May 2000), pp. 124–25.

management'' and ''low price and high quality'' have worked in the Chinese world. The company was rewarded with $1.9 billion revenue in 2004.[32] The training that the salesforce receives must reflect cultural differences in purchasing patterns, values, and perspective of the selling process.

Although international companies often benefit in the local market by offering their employees better training than local competitors, they face the problem of protecting their investment in their employees. National companies often ''raid'' companies with well-trained salesforces for employees. To protect their investments, the MNCs must offer higher compensation and better promotion opportunities than their competitors.

Supervision

Supervising the salesforce means directing and motivating the salesforce to fulfill the company's objectives and providing the resources that allow them to do so. The company can set norms concerning how often a salesperson should call each category of customer, and how much of his or her time the salesperson should spend with each of various activities. The company can motivate the salesperson by establishing a supportive, opportunity-filled organizational climate, or by establishing sales quotas or positive incentives for sales. The company often provides the salesperson with tools, such as laptop computers or research facilities, to provide better chances to achieve his or her goals. International sales management addresses how each of these supervising approaches will be received by the salesforce, and what the cultural implications are. For example, cultures that value group identity over individuality will probably not respond well to a sales contest as a motivator.

Motivation and Compensation. Financial compensation is one of the key motivators for employees in all cultures. However, successful sales programs use a wide variety of motivators. The sales manager will want to adapt the incentive structure to best meet local desires and regulations. The use of commissions in motivating salespeople is not publicly acceptable in many countries.[33] Commissions reinforce the negative image of the salesperson benefiting from the sale, with no regard for the purchaser's well-being. Salary increases can substitute for commissions to motivate salespeople to consistently perform highly. However, under certain circumstances, large salary discrepancies between employees are also not acceptable. Strong unions can tie a company's hands in setting salaries, the ''collectivist'' culture of a country such as Japan cannot accept that one person should earn substantially more than another in the same position. Koreans, for example, are used to working under conditions in which compensation is not directly contingent on performance but rather on seniority. When financial rewards are not acceptable, the company must rely more heavily on nonfinancial rewards, such as recognition, titles, and perquisites for motivation.

Foreign travel is another reward employed by international companies. For example, Electrolux rewards winning sales teams in Asia with international trips. When necessary, companies can combine an international trip with training and justify it as an investment in top salespeople.

Management Style. Management style refers to the approach the manager takes in supervising employees. The manager can define the employee's roles explicitly and require a standardized sales pitch or set broad, general goals that allow each salesperson to develop his or her own skills. A number of studies have found that the best management approach varies by culture and country. For example, Dubinsky and colleagues[34] found that role ambiguity, role conflict, job satisfaction, and organizational

[32]''Carrefour China: A Local Market,'' *China Business*, April 28, 2005.

[33]Michael Segalla, Dominique Rouzies, Madeleine Besson, and Barton A. Weitz, ''A Cross-National Investigation of Incentive Sales Compensation,'' *International Journal of Research in Marketing*, 23 (4): 419–33.

[34]Alan J. Dubinsky, Ronald E. Michaels, Masaaki Kotabe, Chae Un Lim, and Hee-Cheol Moon, ''Influence of Role Stress on Industrial Salespeople's Work Outcomes in the United States, Japan, and Korea,'' *Journal of International Business Studies*, 23 (First Quarter 1992), pp. 77–99.

commitment were just as relevant to salespeople in Japan and Korea as in the United States, and that role conflict and ambiguity have deleterious effects on salespersons in any of the countries. However, specific remedies for role ambiguity, such as greater job formalization (or more hierarchical power, defined rules, and supervision), have a distinct effect on the salespeople in different countries.

One fair generalization is that greater formalization invokes negative responses from the salesforce in countries in which the power distance is low and the individualism is high (such as in the United States). Greater formalization also invokes positive responses from the salesforce in countries in which the power distance is high and the individualism is low (such as in India).[35]

Ethical Perceptions. Culture, or nationality, also influences salespeople's beliefs about the ethics of common selling practices and the need for company policies to guide those practices. Why is this important? Salespeople need to stay within the law, of course, but more importantly, in order to maintain the respect of customers, salespeople must know what is ethically acceptable in a culture. For example, in the United States, giving a bribe is tantamount to admitting that your product cannot compete without help. However, in many cultures, receiving a bribe is seen as a privilege of having attained a position of influence. An understanding of the ethical norms in a culture will help the company maintain a clean image and will also help the company create policies that keep salespeople out of the tense and frustrating situations where they feel they are compromising their ethical standards.

As an example of differences in ethical perceptions, consider the results of a study by Dubinsky and colleagues.[36] The study presented salespeople in Korea, Japan, and the United States with written examples of "questionable" sales situations. Examples of the situations used follow:

- Having different prices for buyers for which you are the sole supplier
- Attempting to circumvent the purchasing department and reach other departments directly when it will help sales
- Giving preferential treatment to customers whom management prefers or who are also good suppliers

The salespeople were asked to rate the extent to which it was unethical to take part in the suggested activity. The results indicated that in general, U.S. salespeople felt that the situations posed fewer ethical problems than did salespeople from Japan and Korea. Another interesting finding of the study—the assumption that Japanese "gift-giving" would extend into the sales realm was found to be untrue. In fact, Japanese salespeople felt that giving free gifts to a purchaser was more an ethical problem than did U.S. salespeople. For Koreans, however, gift-giving was less an issue.

Paradoxically, U.S. salespeople indicated that they wanted their companies to have more policies explicitly addressing these ethical questions. Why? Apparently, salespeople in the United States feel more comfortable when the ethical guidelines are explicitly stated, whereas in other countries (Korea and Japan here), the cultural exchange of living in a more community-oriented society provides the necessary guidelines. Similarly, in countries like Mexico, where power relationships are explicit, salespeople may simply accept and follow management's ethical discretions regardless of their personal ethical standards.[37]

[35] Sanjeev Agarwal, "Influence of Formalization on Role Stress, Organizational Commitment, and Work Alienation of Salespersons: A Cross-National Comparative Study," *Journal of International Business Studies*, 24 (Fourth Quarter 1993), pp. 715–40.

[36] Alan J. Dubinsky, Marvin A. Jolson, Masaaki Kotabe, and Chae Un Lim, "A Cross-National Investigation of Industrial Salespeople's Ethical Perceptions," *Journal of International Business Studies*, 22 (Fourth Quarter 1991), pp. 651–70.

[37] William A. Weeks, Terry W. Loe, Lawrence B. Chonko, Carlos Ruy Martinez, and Kirk Wakefield, "Cognitive Moral Development and the Impact of Perceived Organizational Ethical Climate on the Search for Sales Force Excellence: A Cross-Cultural Study," *Journal of Personal Selling & Sales Management*, 26, (Spring 2006), pp. 205–17.

Evaluation

Evaluating salespeople includes requiring them to justify their efforts and provide the company with information about their successes, failures, expenses, and time. Evaluations are important to motivate the salesforce, to correct problems, and to reward and promote those who best help the company achieve its goals. Two types of evaluations are common: *quantitative* and *qualitative* evaluations. Examples of quantitative evaluations are comparisons of sales, sales percents, or increases in sales. Examples of qualitative evaluations include tests of the knowledge and manner of the salesperson. Because net profit is often the company's primary objective, evaluations should serve to promote long-term net profits. In some foreign cultures, however, evaluations could be seen as an unnecessary waste of time, or they may invade the sense of privacy of salespeople.

Evaluations help management keep up on sales progress and help employees receive feedback and set goals. International salesforce evaluations must consider the culture's built-in ability to provide feedback to employees. For example, in Japan the "collectivist" nature of the culture may provide the salesperson with much more sense of performance feedback than the "individualistic" culture in the United States would. Thus, it makes sense that U.S. sales managers use more regular, short-term performance evaluations than Japanese sales managers in order to provide their salesforce with more feedback.[38]

Evaluations in international sales management can provide useful information for making international comparisons. Such comparisons can help management identify countries where sales are below average and refine the training, compensation, or salesforce strategy as necessary to improve performance.

CROSS-CULTURAL NEGOTIATIONS

Conducting successful cross-cultural negotiations is a key ingredient for many international business transactions. International bargaining issues range from establishing the nuts and bolts of supplier agreements to setting up strategic alliances. Negotiation periods can run from a few hours to several months, if not years of bargaining. Bargaining taps into many resources, skills, and expertise. Scores of books have been devoted to negotiation "dos and don'ts."[39] Cross-cultural negotiations are further complicated by divergent cultural backgrounds of the participants in the negotiation process.[40] In this section, we discuss the cultural aspects of international negotiations and bargaining.

Stages of Negotiation Process

Roughly speaking, four stages are encountered in most negotiation processes:[41] (1) non-task soundings, (2) task-related information exchange, (3) persuasion, and (4) concessions and agreement. Non-task soundings include all activities that are used to establish a rapport among the parties involved. Developing a rapport is a process that depends on subtle cues.[42] The second stage relates to all task-related exchanges of information. Once the information exchange stage has been completed, the negotiation parties typically move to the persuasion phase of the bargaining process. Persuasion is a

[38]Susumu, Ueno and Uma Sekaran, "The Influence of Culture on Budget Control Practices in the U.S. and Japan: An Empirical Study," *Journal of International Business Studies*, 23 (Fourth Quarter 1992), pp. 659–74.

[39]See, for example, Mel Berger, *Cross Cultural Team Building: Guidelines for More Effective Communication and Negotiation*, New York: McGraw-Hill, 1996.

[40]For those interested in learning more about the complexities of cross-cultural negotiations, see a recent special issue on this topic, edited by Yahir H. Zoubir and Roger Volkema, in *Thunderbird International Business Review*, 44 (November/December 2002).

[41]John L. Graham and Yoshihiro Sano, "Across the Negotiating Table from the Japanese," *International Marketing Review*, 3 (Autumn 1986), 58–71.

[42]Kathleen K. Reardon and Robert E. Spekman, "Starting Out Right: Negotiation Lessons for Domestic and Cross-Cultural Business Alliances," *Business Horizons*, Jan.–Feb. 1994, 71–79.

give-and-take deal. The final step involves concession making, intended to result in a consensus. Not surprisingly, negotiation practices vary enormously across cultures. Japanese negotiators devote much more time to nurturing rapport than U.S. negotiators. For Americans, the persuasion stage is the most critical part of the negotiation process. Japanese bargainers prefer to spend most of their time on the first two stages so that little effort is needed for the persuasion phase. Japanese and American negotiators also differ in the way they make concessions. Americans tend to make concessions during the course of the negotiation process, whereas Japanese prefer to defer this stage to the end of the bargaining.[43] See **Exhibit 14-4** for negotiation styles in five other countries.

Cross-Cultural Negotiation Strategies[44]

Exhibit 14-5 represents a framework of culturally responsive negotiation strategies, driven by the level of cultural familiarity that the negotiating parties possess about one another's cultures. Cultural familiarity is a measure of a party's current knowledge of his counterpart's culture and ability to use that knowledge competently. Depending on the particular situation, eight possible negotiation strategies can be selected. Let us briefly consider each one of them:

Employ an Agent or Adviser. Outside agents, such as technical experts or financial advisors, can be used when cultural familiarity is extremely low. These agents can be used to provide information and to advice on action plans.

Involve a Mediator. Whereas the previous strategy can be used unilaterally, both parties can also jointly decide to engage a mutually acceptable third party as a mediator. Successful mediation depends on maintaining the respect and trust of both parties.

Induce the Counterpart to Follow One's Own Negotiation Script. Effective negotiators proceed along a *negotiation script*—the rules, conduct, ends they target, means toward those ends, and so forth. When the counterpart's familiarity with your culture is high, it could be feasible to induce the other party to follow your negotiation script. This strategy is especially useful when cultural knowledge is asymmetrical: the other party is knowledgeable about your culture, but you are not familiar with his or hers. Inducement could be via verbal persuasion or subtle cues.

Adapt the Counterpart's Negotiation Script. With moderate levels of familiarity about the counterpart's cultural mindset, it becomes possible to adapt to his negotiation script. Adaptation involves a deliberate decision to adjust some common negotiation rules.

Coordinate Adjustment of Both Parties. When the circumstances lend themselves, both parties can jointly decide to arrive to a common negotiation approach that blends both cultures. Occasionally, they might propose to adopt the negotiation script of a third culture.

Embrace the Counterpart's Script. With this strategy, the negotiator volunteers to adopt the counterpart's negotiation approach. This demands a tremendous effort from the negotiator. It can be effective only when the negotiator possesses a great deal of familiarity about the other party's cultural background.

Improvise an Approach. This strategy constricts a negotiation script over the course of negotiating. This approach is advisable when both parties feel very

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[43] Graham, John L., "Negotiating with the Japanese (Part 1)," *East Asian Executive Reports*, (November 15, 1988), pp. 8, 19–21.

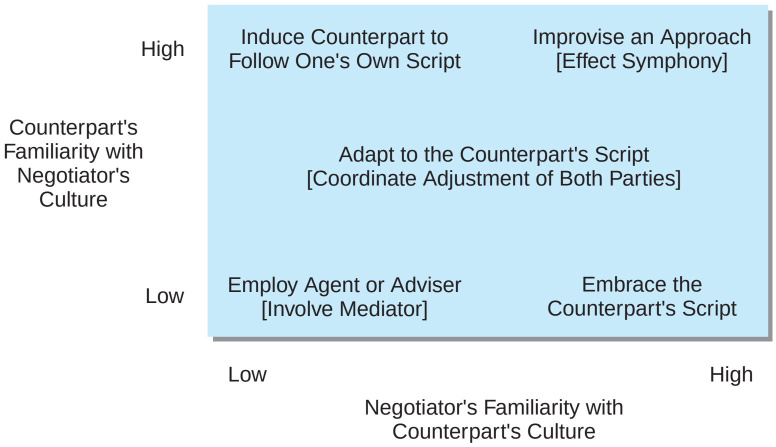
[44] Stephen E. Weiss, "Negotiating with "Romans"—Part 1," *Sloan Management Review* (Winter 1994), pp. 51–61; Stephen E. Weiss, "Negotiating with "Romans"—Part 2," *Sloan Management Review* (Spring 1994), pp. 85–99.

EXHIBIT 14-4
NEGOTIATION STYLES AND GUIDELINES IN FIVE COUNTRIES

	France	*Poland*	*Turkey*	*Russia*	*Spain*
Language	– Younger people: English acceptable – Older people: French—if necessary, agree at early stage to use an interpreter	– English or German – Do not overestimate fluency – Be willing to use an interpreter	– Be careful with terminology; allow extra time for language problems – Be clear and succinct – Avoid being negative	– Do not expect partner speaks English (especially outside big cities); find good interpreter	– Do not assume command of English – Consider using interpreter – Documents and business cards should be in Spanish, not just English
Sequence	– General principles →rough outline→details	– Goal-directed – Little small talk – Prepare for lengthy delays	– Small talk matters a lot – Wait to talk business until host brings it up	– Negotiations can be protracted – Starting times not always respected – Frequent interruptions	
Communication style	– Abstract and elaborate – Relish in logic, battle of wits – Straightness = blunt, rude – Avoid hard sell	– Unemotional – Lack of flexibility of Polish counterparts	– Be flexible to manage delays; factor in unexpected – Avoid bluntness – Stick to main message; avoid weakening arguments with minor points – Listen first, then ask questions; don't put words into counterpart's mouth	– Personal relationships play vital role – Russian partners can be "slow"	– Personal relationships play vital role; regard personal invitations as a partnership investment – Be prepared for delays – Interruptions common – Several people may talk at once – Discussions can be lively – Spanish people rely on quick thinking, spontaneity – Negotiations can be lengthy
Contract	– Very formal, flowery – Fairly brief	– Technical – Very detailed		– Avoid any changes to contracts; if necessary you will need to make a strong case	
Context	– Entertaining matters a great deal but usually done at restaurants – Do not raise issues until end of meal		– Entertaining important, often at host's home	– Usually at restaurants – Toasting important ritual but be careful	– Can invite partner for lunch or dinner – Deals with top executives often agreed during meals, middle managers trash out details later

Sources: Constructed from "Enjoy a Battle of Wits and a Good Lunch," *Financial Times* (September 11, 2000), p. 9; "Crossing Cultural Barriers," *Financial Times* (September 25, 2000), p. 11 (Poland); "Contacts that Make or Break Turkish Ventures," *Financial Times* (November 6, 2000), p. 14 (Turkey); "A Market Emerging from a Country in Turmoil," *Financial Times* (February 19, 2001), p. 7 (Russia); "Formality, Feasting and Patience," *Financial Times* (October 9, 2000), p. 12 (Spain).

EXHIBIT 14-5
CULTURALLY RESPONSIVE STRATEGIES AND THEIR FEASIBILITY



Source: Reprinted with permission from Stephen E. Weiss,''Negotiating with 'Romans'—Part 1,'' *Sloan Management Review*, Winter 1994, pp. 51–61. Copyright 1994 by Sloan Management Review Association. All rights reserved.

comfortable with their counterpart's culture. It might be effective when bargaining with members from a high-context culture in which mutual bonding and other contextual cues are at least as important (nontask-related aspects) as the immediate negotiation concerns.

Effect Symphony. The final strategy capitalizes on both parties' high cultural familiarity by creating an entirely new script or by following some other approach atypical to their respective cultures. For instance, the coordination could select parts from both cultures.

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Cultural adaption may be necessary when doing business abroad.

The choice of a particular strategy partly depends on how familiar the negotiators are with the other party's culture. To pick a particular strategy, consider the following steps:

1. *Reflect on your culture's negotiation practices.* What negotiation model do you use? What is the role of the individual negotiator? What is the meaning of a satisfactory agreement?
2. *Learn the negotiation script common in the counterpart's culture.* This involves reflecting on these questions such as: Who are the players? Who decides what? What are the informal influences that can make or break a deal?[45] Answers to these questions will help the negotiator to anticipate and interpret the other party's negotiating behaviors. Expectations about the process and the outcome of the bargaining will differ. People can view the process as win-win or win-lose. The approach to building an agreement can focus first on either general principles or specifics. The level of detail required can vary. Perspectives on the implementation of an agreement can also differ. In some cultures renegotiation is frowned upon. In other cultures, an agreement is seen as a starting point of an evolving relationship.[46]
3. *Consider the relationship and contextual clues.* Different contexts necessitate different negotiating strategies. What circumstances define the interaction between the negotiation parties? Contextual clues include considerations such as the life of the relationship, gender of the parties involved, balance of power.
4. *Predict or influence the counterpart's approach.* Prediction could be based on indicators such as the counterpart's pre-negotiation behavior, track record. In some cases, it is desirable to influence the other party's negotiation strategy via direct means (e.g., explicit request for a negotiation protocol) or through more subtle means (e.g., disclosing one's familiarity with the counterpart's culture).
5. *Choose a strategy.* The chosen strategy should be compatible with the cultures involved, conducive to a coherent pattern of interaction, in line with the relationship and bargaining context, and ideally acceptable to both parties.

EXPATRIATES

Most companies with a salesforce abroad will, at the very least, send a few expatriates abroad as operations begin in a new country. **Expatriates** are home country personnel sent overseas to manage local operations in the foreign market. The general trend among U.S. multinationals since the 1990s has been a decreasing use of expatriate managers overseas and an increasing reliance on local foreign talent.[47] This trend reflects the increasingly international perspective of MNCs, increasing competence of foreign managers, and the relatively increasing competitive disadvantage of the cost of maintaining home country personnel abroad. Despite the relative decline, more employees than ever are involved in international assignments due to the increase in international sales and production. According to a recent study of international assignments, 38 percent of companies surveyed increased the number of international transfers from headquarters in 2004 and 2005. Another 47 percent are still sending the same number abroad. The biggest increases were among companies (both foreign and indigenous) in Asia and Latin America, regions that are home to a new wave of

[45]Sebenius, James K. "The Hidden Challenge of Cross-Border Negotiations," *Harvard Business Review* 80 (March 2002), pp. 76–85.

[46]Sebenius, 2002, p. 84.

[47]Gunter K. Stahl, Edwin L. Miller, and Rosalie L. Tung, "Toward the Boundaryless Career: A Closer Look at the Expatriate Career Concept and the Perceived Implications of an International Assignment," *Journal of World Business*, 37 (Autumn 2002), pp. 216–27.

internationally mobile employees. In addition, 44 percent of all firms reported an increase in international transfers between places other than headquarters.[48]

Expatriates have a number of advantages over foreign nationals for companies that sell their products internationally. In general, a successful expatriation starts with a selection of good candidates who are willing to try new things and persist in exhibiting an open-minded and flexible personality to accept the host country's norms. Therefore, firms should select expatriates whose personal values are in line with those of the host countries so that expatriates would have more social interaction with host nationals. For example, when U.S. expatriates possess collective norms that are similar to those of Asian and Latin American cultures, they would have more social interaction with the locals and are more attitudinally attached to the host culture.[49]

Advantages of Expatriates

Jack Welch, the former CEO of General Electric stated in his speech to GE employees:

> The Jack Welch of the future cannot be me. I spent my entire career in the United States. The next head of General Electric will be somebody who spent time in Bombay (Mumbai), in Hong Kong, in Buenos Aires. We have to send our best and brightest overseas and make sure they have the training that will allow them to be the global leaders who will make GE flourish in the future.[50]

His statement clearly summarizes the importance of expatriates and their international experiences for improved communications between the company's headquarters and its foreign subsidiaries and affiliates, and development of talent within the company.

Better Communication. Expatriates understand the home office, its politics, and its priorities. They are intimately familiar with the products being sold and with previously successful sales techniques. Expatriates can rely on personal relationships with home office management, which increases trust on both sides of the border and can give the expatriate the ability to achieve things that a third-country national or a host country national could not achieve. With an expatriate abroad, communications with the home country will be easier and more precise owing to the groundwork of cultural and corporate understanding. The expatriate will also give the home office the confidence that it has someone in place who understands the company's intent and expectations.

Development of Talent. Sending employees abroad provides the company another advantage that hiring foreign locals may not provide: The company develops future managers and executives who can later use their international perspective in management. For example, the leaders of General Motors, Avon, Campbell Soup, Ford, Gillette, Tupperware, Goodyear, General Mills, Case, and Outboard Marine all have significant overseas experience in their careers.[51] According to research by Gregersen, Morrison, and Black, senior executives of multinationals who have had international assignments indicated that those jobs provided their single most influential leadership experience.[52] Thus, by sending their most promising rising stars overseas, companies are sowing the seeds to harvest the next generation of executives.

[48] "Traveling More Lightly—Staffing Globalization," *Economist*, June 24, 2006, pp. 77–80.

[49] Sunkyu Jun and James W. Gentry, "An Exploratory Investigation of the Relative Importance of Cultural Similarity and Personal Fit in the Selection and Performance of Expatriates," *Journal of World Business*, 40 (February 2005), pp. 1–8.

[50] Mansour Javidan and Robert J. House, "Leadership and Cultures around the World: Findings from GLOBE," *Journal of World Business*, 37 (Spring 2002), pp. 3–10.

[51] Mason A. Carpenter and Gerard Sanders, "International Assignment Experience at the Top can Make a Bottom-Line Difference," *Human Resource Management*, 39 (Summer/Fall 2000), pp. 277–85.

[52] Hal B. Gregersen, Allen J. Morrison, and J. Stewart Black, "Developing Leaders for the Global Frontier," *Sloan Management Review*, 40 (Fall 1998), pp. 21–32.

Digital vision/Getty Images, Inc.

Cultural differences do exist. In many cases, your willingness to accept differences is a key to your success in business.

Difficulties of Sending Expatriates Abroad. Although the benefits of sending expatriates abroad are clear, difficulties can also arise for various reasons ranging from organizational to personal ones and even to security risk. Some of the major difficulties are as follows.

Cross-Cultural Training. As with so many other complex situations in life, a little shared understanding goes a long way. In the case of the expatriate, training can significantly help in understanding the cultural differences of the foreign country. U.S. companies used to overlook such "cultural sensitivity training"; expatriates were expected to "pick it up as they go." Cultural misunderstandings can have a large impact, however. About 6 percent of expatriate assignments failed prematurely.[53] As a result, **cross-cultural training** has been on the rise in recent years as more globally oriented companies moving fast-track executives overseas want to curb the cost of failed expatriate stints.

According to GMAC Global Relocation Services' 2008 survey, 67 percent of respondents cited an increase in the expatriate population during 2008. It also reported that 11 percent of all expatriates were new hires and 9 percent of expatriates had previous international experience. Companies are becoming more flexible about the length of international assignments, and are moving away from long-term assignments to a variety of short-term alternatives. The survey found that more companies have embraced a global perception of their entire workforce, therefore utilizing their human resources more effectively and have chosen to outsource their relocation programs to achieve higher levels of financial return, expatriate performance, and satisfaction.

[53] *Global Relocation Trends 2008 Survey Report*, GMAC Relocation Services, http://www.gmacglobalrelocation.com/, 2008.

Formal cross-cultural training was mandatory at 23 percent of companies, but 81 percent of them rated it as having great or good value.[54]

Once the expatriate is abroad, it becomes more difficult to provide training, but doing so is even more important. The expatriates are not in constant contact with colleagues, and may not be picking up the newest technology in their company's field. They could be missing out on important policy or procedural changes that the company is undertaking. Ongoing training, whether in a foreign or the home country, can make a huge difference in the success of an overseas assignment.

During the first year of the assignment, having an executive coach with deep country-specific experience can add incalculable benefits to the new expatriate. A competent coach is able to provide feedback to executives on how others perceive them, and to provide a local perspective on problem solving that might otherwise not occur to someone who is new to the region. Such a coach is often able to help the executive in question see potential issues before they arise.[55] Today, host countries are also taking measures to help foreign expatriates get used to their culture. For example in India, there are end-to-end expatriate-services companies offering a range of relocation and cross-cultural services. A company named Global Adjustments even publishes India's only expatriate cultural monthly magazine called *At a Glance—Understanding India*. Headquartered in Chennai, this company has offices in all six major cities in India: Bangalore, Chennai, Kolkata, Mumbai, Pune, and Delhi, helping expatriates from 74 countries ease the passage to and from India.[56]

It is advised that the more different the culture into which people are venturing, the more specific and rigorous the training needs to be, and the more the training needs to incorporate experiential tactics such as simulations and role plays aimed at specific differences.[57]

However, expatriates must recognize that within an average two- to four-year assignment abroad, they will never internalize enough of the local culture to overcome all social and communication concerns. Even with appropriate training, the expatriates are the product of their home culture. They will eat with a fork when a hand is more polite, shake on a deal and thereby show their lack of faith, or require that a contract with all possible legal contingencies spelled out be signed in triplicate when honor and trust dictate that the deal go through on a shared local drink. These could appear to be small social problems, but such social problems can keep the expatriate out of important deals. As Black and Porter[58] noted in their article title, "a successful manager in Los Angeles may not succeed in Hong Kong." The expatriate could find after some time that the best place to make sales is not at the client's offices but at the bar watching soccer with other executives.

Motivation. Motivating expatriates to accept and succeed at positions abroad requires a combination of carefully planned policies and incentives. Appropriate policies help make the prospects of going overseas attractive before, during, and after it takes place. Expatriates often express dissatisfaction that their stints abroad hinder their career progress. Companies should set up and publicize career paths for expatriates that reward and use skills acquired overseas. Additionally, while expatriates are overseas, regular communication with the home office will help allay fears that "out of sight, out of mind" will hinder their career progress.[59] Intranet websites for expatriates will help facilitate such communication.

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[54]Ibid.

[55]"Preparing Execs for Asia Assignments," *BusinessWeek.com*, April 1, 2008.

[56]"Helping the U.S. and India Work Together," *BusinessWeek.com*, April 29, 2008.

[57]J. Stewart Black, Mark Mendenhall, and Gary Oddou, "Toward a Comprehensive Model of International Adjustment. An Integration of Multiple Theoretical Perspectives," *Academy of Management Review*, 16 (April 1991), pp. 291–317.

[58]J. Stewart Black and Lyman W. Porter, "Managerial Behaviors and Job Performance: A Successful Manager in Los Angeles May Not Succeed in Hong Kong," *Journal of International Business Studies*, 22 (First Quarter 1991), pp. 99–113.

[59]Thomas F. O'Boyle, "Little Benefit to Careers Seen in Foreign Stints," *Wall Street Journal* (December 11, 1989), p. B1, B4.

A recent study also shows that employees who choose an expatriate assignment place a high intrinsic value on the overseas experience *per se*, especially on the opportunities it brings for personality development and enrichment of their personal lives. They also believe that their overseas assignment will help improve their professional and management skills and enhance their careers, although not necessarily within their current company.[60]

Compensation. The average cost of maintaining a home-country executive can cost three to five times what it costs to maintain an employee at home.[61] Compensation packages include various premiums including overseas premiums, housing allowances, cost-of-living allowances, tax equalizations, repatriation allowances, all-expense-paid vacations, and performance-based bonuses. Most compensation premiums are paid as a percentage of base salary. Yet despite this, according to GMAC's Global Relocation Trend 2008 Survey, 32 percent of candidates for expatriate posts rated inadequate compensation packages as the most common reason for turning down their assignments.[62]

When it comes to their wallets, worldly expatriates often moan about Tokyo, London, or New York. This is undoubtedly understandable. However, in many other countries such as those in Africa where the cost of living people think should be low, expatriates find it even more expensive to work and live there. A recent survey by ECA International, which advises multinational companies on how to look after their expatriate staff, rates Harare the most expensive city for such foreigners in the world. Angola's Luanda comes second and Congo's Kinshasa fifth, just behind Oslo and Moscow. Even Gabon's Libreville is deemed more expensive than Tokyo. On the other hand, in cases such as Luanda, where the economy is booming and inflation a mere 12 percent, living costs for foreigners are still incredibly expensive. After decades of war, not much is produced at home, bar oil and diamonds, so most things are imported and command high prices. Foreigners tend to eat at just a handful of restaurants where dinner for two costs more than $150. Actually, expatriates feel ripped off in Angola, Zimbabwe, or Congo. This make it even more difficult to decide satisfactory compensation packages for expatriates.[63] How much should overseas assignments pay?

One approach has been to pay expatriates a premium for their willingness to live in adverse conditions. Such special ''hardship packages'' can cause problems, however. Overseas employees could notice the discrepancy in remuneration among expatriates, local nationals, and third-country nationals.[64] An expatriate sales manager in Japan could be motivated by an incentive system through which he or she would earn a higher salary for stellar performance. However, such an individual approach would not sit well with Japanese colleagues who subscribe to a collective approach that does not favor standing out from others of similar seniority. Furthermore, expatriates who receive a generous compensation package while abroad may lose motivation on returning home to their previous salary scale.[65] A more recent approach has been to consider the overseas assignment a necessary step for progress within the company. In other words, it is viewed more as a learning experience than as a hardship.

The company must also consider the impact of the family life cycle on compensation. An expatriate with a spouse and children will encounter higher needs abroad due

[60]Gunter K. Stahl, Edwin L. Miller, and Rosalie L. Tung, ''Toward the Boundaryless Career: A Closer Look at the Expatriate Career Concept and the Perceived Implications of an International Assignment,'' *Journal of World Business*, 37 (Autumn 2002), pp. 216–27.

[61]Eric Krell, ''Evaluating Returns on Expatriates,'' *HR Magazine*, 50 (March 2005), pp. 60–65.

[62]*Global Relocation Trends 2008 Survey Report*, GMAC Relocation Services, http://www.gmacglobalrelocation.com/, 2008.

[63]''Costly Postings,'' *Economist*, December 16, 2006, p. 48.

[64]So Min Toh and Angelo S. DeNisi, ''A Local Perspective to Expatriate Success,'' *Academy of Management Executive*, 19 (1), 2005, 132–47.

[65]Michael Harvey, ''Empirical Evidence of Recurring International Compensation Problems,'' *Journal of International Business Studies*, 24 (Fourth Quarter 1993), pp. 785–99.

to the loss of a spouse's income and the cost of enrolling children in private schools. A program must be flexible enough to adjust to the varying needs of different employees.

Family Discord. The typical candidate for an international assignment is married, has school-age children, and is expected to stay overseas for three years. In this age of two-career families, an international assignment means that a spouse could have to suspend a stateside career. Thus, many employees are reluctant to move abroad. Others who accept transfers grow frustrated as they find that their spouses cannot get jobs or even work permits abroad. Schools where the international assignee's home language is spoken must be found, or children must learn the local language. Concerns about the safety and happiness of family members can keep the candidate from accepting an overseas position. A recent study found that concerns about children and spouses' careers were the two main reasons why employees turned down jobs abroad.[66] Given such complexities, it is clear why it could be difficult to motivate typical candidates to accept an overseas stint.

Unsuccessful family adjustment is the single most important reason for expatriate dissatisfaction compelling an early return home. Expatriates as well as their family members are in crisis because of culture shock and stress. As a result, marriages break up and some people become alcoholic.

Thus, international companies try to cut costs by reducing the problems that can hurt expatriates' job satisfaction and performance. Having an experienced and empathetic counselor who can work with all family members in a constructive manner on confusing or negative experiences can greatly improve the chance for success. Many expatriate families in China, for example, isolate themselves from Chinese society because it is intimidating to cope with a steep language barrier as well as unfamiliar cuisine and even unfamiliar transportation or healthcare systems. A guide can give family members the confidence they need to function on their own wherever they are.[67] In addition, firms such as AT&T have begun putting prospective expatriates through management interviews, a written test, and a self-assessment checklist of "cultural adaptability," as well as interviews with a psychologist (see **Global Perspective 14-3**). To

GLOBAL PERSPECTIVE 14-3

SCREENING CANDIDATES FOR EXPATRIATION

An increasing number of companies are screening prospective expatriates and their spouses for cross-cultural adaptability. The following are some of the questions asked at AT&T.

1. Would your spouse's career be put on hold to accompany you on an international assignment? If so, how would this affect your spouse and your relationship with each other?
2. Would you enjoy the challenge of making your own way in new environments?
3. How would you feel about the need for networking and being your own advocate to secure a job upon return from your foreign assignment?
4. How willing and able are you in initiating and building new social contacts abroad?
5. Could you live without television?
6. How important is it for you to spend a significant amount of time with people of your own ethnic, racial, religious, and national background?
7. Have you ever been genuinely interested in learning about other peoples and cultures?
8. Do you like vacationing in foreign countries?
9. Do you enjoy ethnic and foreign cuisine?
10. How tolerant are you of having to wait for repairs?

Source: Adapted from Gilbert Fuchsberg, "As Costs of Overseas Assignments Climb, Firms Select Expatriates More Carefully," *Wall Street Journal* (January 9, 1992), p. B1.

[66] "Traveling More Lightly—Staffing Globalization," *Economist*, June 24, 2006, pp. 77–80.

[67] "Preparing Execs for Asia Assignments," *BusinessWeek.com*, April 1, 2008.

help spouses find jobs abroad, Philip Morris Company hired an outplacement firm to provide career counseling and job leads.[68]

Security Risk. Since the September 11, 2001 terrorist attacks in the United States, security risk has become a serious issue. Clearly, these terrorist attacks, among others, have had an impact on human resource management. Particularly, expatriate executives from U.S. companies and their families are not as eager to take on international assignments, especially in countries viewed as security risks. Perceived or real security risk concern requires more development, training, and recruiting of local executives, which in the long run should be beneficial to all.

Despite such an anxiety factor causing some dent in the globalization movement, the forces of market and financial globalization are unlikely to be reversed. In fact, more executives have been trained to believe that international experience is critical to their long-term career success. Because of the increased number of international MBA students in many business schools around the world, they are increasingly being placed in countries in which they fit right in culturally, religiously, and racially. These "indigenized" managers increase the frequency of international travel, cross-border migration, and lower communication costs across national boundaries.[69]

The Return of the Expatriate—Repatriation

Repatriation is the return of the expatriate employee from overseas. Although companies are making efforts to prevent this, many returning expatriates have difficulty finding good job assignments when their foreign positions end. The post-return concern that an overseas assignment can damage a career back home can discourage employees from taking a foreign position. Repatriation is distinct from other forms of relocation. After an average absence of 3.5 years, expatriates themselves have changed, adopting certain values, attitudes, and habits of their host countries. According to GMAC Relocation Services' 2008 survey, 69 percent of respondents held repatriation discussions, and 77 percent of companies identified new jobs within the company for repatriating employees.[70] This is a far cry from its 2001 survey reporting a deplorable picture that 66 percent of companies surveyed indicated that they offered no post-expatriate employment guarantees.[71] In the past decade, U.S. companies have made a measurable improvement in their repatriation policies.

Expatriates face a long list of difficulties upon returning home. Their standard of living often declines. And they often face a lack of appreciation for the knowledge they gained overseas. Without a clear use for their skills, returned expatriates often suffer from a lack of direction and purpose. New stateside assignments often do not give the repatriated employee the same responsibility, freedom, or respect that was enjoyed overseas. It is difficult to adjust to being just another middle manager at home. And poor communications with the home office while abroad leave the returnee cut off from the internal happenings and politics of the company, limiting opportunities for career growth.[72]

GMAC Relocation Services' 2008 survey also reported a number of effective ways to reduce attrition rates. These include providing (1) chances to use international experience, (2) position choices upon return, (3) recognition, (4) repatriation career support, (5) improving performance evaluation, and (6) family repatriation support. Pre-trip training should state the details for the candidate, including future training expected, help the company will provide, and, importantly, the career path that the

[68] Carla Joinson, "Relocation Counseling Meets Employees' Changing Needs," *HRMagazine*, 43 (February 1998), pg. 63–70.

[69] Sevgin Eroglu, "Does Globalization Have Staying Power?" *Marketing Management,* 11 (March/April 2002), pp. 18–23.

[70] *Global Relocation Trends 2008 Survey Report*, 2008.

[71] *Global Relocation Trends 2003/2004 Survey Report*, GMAC Relocation Services, http://www.gmacglobalrelocation.com/, May 2004.

[72] Aaron W. Andreason and Kevin D. Kinneer, "Bringing Them Home Again," *Industrial Management*, 46 (November/December 2004), pp. 13–19.

move will help. The effort and cost of such comprehensive planning sends a strong signal of the importance of foreign assignments to expatriate candidates.

Generalizations about When Using Expatriates Is Positive/Negative

Expatriates are important whenever communication with the home country office is at a premium. Communication is facilitated among managers of the same nationality. Thus, the company is better off with a stronger expatriate base abroad when the overseas situation puts pressure on communications with the home office. Thus, expatriates are especially important in complex operating environments, when elevated political risk requires constant monitoring, or when a high cultural distance separates the home and host countries. On the other hand, in very competitive environments, local nationals could provide important links to the local business community and perhaps play a key strategic role in gaining business.

SUMMARY

No matter how global a company becomes, its salesforce remains its front line. On the other hand, actual sales activities are truly local activities, far detached from decision making at headquarters. Particularly, in Latin European, Latin American, and Asian countries, salespeople's ability to build trust with prospective customers prior to sales is extremely important. An effective salesforce management is most elusive yet crucial to developing a coherent international marketing and distribution strategy.

Because sales activities are local activities, they tend to be strongly affected by cultural differences (e.g., shopping habit, negotiation style) around the world, making it difficult, if not impossible, for the international marketing manager to integrate overseas sales operations. Many companies rely on merchant distributors at home or sales agents in the foreign market who have more intimate knowledge of the marketplace. As sales increase, these companies begin to increase their commitment to developing their own distribution and salesforce in the foreign market.

The development of an effective sales organization requires salesforce objectives and a salesforce strategy adapted to local differences and calls for careful recruiting, training, supervising, motivating, and compensating local salespeople. We also provided some background on a very complex form of cultural interface: cross-cultural negotiations. Several strategies are introduced to assist you in international bargaining situations.

Furthermore, an increasing number of expatriate managers are sent to overseas posts to directly manage the company's local salesforce. Expatriate managers function as a bridge between headquarters and local operations, and must be culturally adaptive and versatile. Although international assignments have increasingly become a necessary requirement for fast-track managers, cultural adaptability is not always an inborn qualification of many expatriate managers. Cross-cultural training is crucial, because failed expatriate assignments cost the company dearly in terms of lower business performance and dejected employee morale. Use of expatriate managers with personal profiles that fit in well with local cultures is also on the increase for reasons of political correctness. Companies recently have also begun to develop a repatriation program to ease returned expatriates back into their stateside positions. Such a well-organized repatriation program is important to encourage managers to take up expatriate assignments.

KEY TERMS

Corporate culture
Cross-cultural training
Expatriate
Export management company (EMC)
Export trading company (ETC)
Myers–Briggs Type Indicator (MBTI)
Personal selling
Repatriation
Sogoshosha (General trading company)

REVIEW QUESTIONS

1. In what ways does international sales management differ from domestic sales management?
2. Discuss why mode of entry and sales management are closely related.
3. For what type of business does a company employ a traveling global salesforce?
4. How could a foreign government affect a company's salesforce management?
5. Why is it generally considered difficult to adopt a U.S.-style commission-based salesforce management in such countries as Japan and Mexico?

6. Discuss why expatriate managers are important to a parent company despite the enormous cost of sending them overseas.

7. Suppose you are developing a cultural training program for employees to be sent to overseas posts. What courses would you include in your two-week program? Why?

DISCUSSION QUESTIONS

1. One feature in international selling that is becoming more common is the idea of piggybacking; i.e., tying up with existing sales channels to distribute and sell your products. Examples include Dunkin' Donuts (as the name suggests, the confectionery chain) combining with Baskin-Robbins (the ice-cream chain) units to sell in Canada, Mexico, and Indonesia. According to business proponents of piggybacking, it allows a significant reduction in costs and risks by sharing resources such as dining space, staff, etc., leading to better profitability. However, the concern is that a foreign partner, often chosen as the piggybacking partner (unlike the example just stated) could devote less attention to the foreign product. If the piggybacking is with a unit in the same business, considerable cannibalization can also take place. Discuss the conditions under which a piggyback strategy would be appropriate and under which conditions it would not be appropriate.

2. Many U.S. companies such as Home Depot, Intel, Kodak, Nike, and Whirlpool have set up sales offices in China. One thing sales managers must be aware of is that the differences in sales styles between the United States and China are vast. For example, relationship building is very important in sales and in hiring sales people in China. Further, more companies need to figure out what part of the country and what market segments they are to enter. Generally speaking, Chinese consumers are more price-conscious than Japanese and Korean consumers. However, Chinese youth are less likely to follow the traditional values of collectivism, restraint, and harmony, but exhibit strong tendencies of individualism and self-reliance. They worship more western brands in comparison to domestic brands. If U.S.-based companies were to set up sales office in China, what would be their challenges and opportunities? Given the differences in sales styles between the United States and China, what should the company do to enhance its sales management?

3. Domino's Pizza International, the Ann Arbor, Michigan, based pizza chain, is known worldwide for its delivery service. Its policy of giving away its pizza free if not delivered within half an hour was a legendary service theme, and it earned them a unique position in the consumer's mind. However, the company's foray into Poland in 1994 proved how modifications to positioning strategies might become essential in certain international markets. In 1994, the company wanted to open franchises in Poland. It was keen on opening delivery units as it has in most other countries. However, the lack of reliable and appropriate infrastructure in terms of telephone service in Poland posed a problem. Its delivery concept would not ride very far if potential customers could not phone in their orders. So, in stark contrast to its policy in other countries, Domino opened a sit-in restaurant in Poland in March 1994, followed by another one several months later. Only after some time did it open its standard delivery unit. While this was one way of tiding over the selling constraints peculiar to this market, there was the risk that it was deviating from their most salient positioning theme. Do you think the strategy adopted by Domino's was a wise one? If so, give reasons. If not, provide an alternate strategy, giving your justification for the same.

4. Many firms in the past have followed an incremental approach to the sales channels used in international markets. Typically, these companies started by selling in foreign markets through sales agents or distributors. Following this, they opened liaison offices to assist and monitor the activities of the appointed distributors. With subsequent growth in business, the company would set up its own sales subsidiary to manage sales and customer service. This incremental strategy has worked quite effectively for many companies in the past. In your opinion, would the current emphasis being placed on globalization have any bearing on the effectiveness of this incremental strategy? If so, what would this effect be, and why?

5. Today many companies talk about localization, but find it difficult to do. Sometimes expatriate managers are unable or unwilling to train their successors. This can be a particular problem for Japanese companies. The standard practice in Japanese multinationals has been to rely on people sent from the home office, even for mid-level technical jobs. In part, this stems from a tradition of apprentice-style training, which can mean Japanese firms "struggle to get new people up to speed quickly," says Rochelle Kopp, principal of Japan Intercultural Consulting, a training firm. Language is often an added complication in going abroad. A further difficulty is that many Japanese expatriates and their families prefer to stay in America, say, rather than return home. As a result, Japanese employees abroad tend to hand over little responsibility to their local colleagues. Discuss the advantages and disadvantages of localization of executives. Do you think Japanese situation is applicable to other regions? Why or why not? Discuss strategic solutions regarding difficulties of localization for Japanese companies.

SHORT CASES

CASE 14-1

HILTON UNIVERSITY—FOR EMPLOYEES ONLY!

Products-based multinational firms with worldwide operations—and therefore a diverse workforce—face a major task in the training of employees in different regions in order to maintain a uniform organizational culture throughout the global company. But for multinational service firms, maintaining an educated, well-trained workforce is even more challenging. That is why many service firms have made it a priority to establish training programs. Take the hospitality industry for example. In the pre-World Wide Web era, these training programs used to be face to face and carried out in various foreign locations. The downside of this form of classroom instruction was costs, time and the wide disparity in teaching methods in different places. Today, however more and more global service firms are taking their classrooms online. Not only does this form of training lower overall costs but also attempts to transfer the image of corporate culture.

Premier hotel group Hilton International launched its Hilton University in 2002, solely for training and educating its global employees. Prior to this initiative, employee training was conducted on every Hilton hotel's premises in more than 65 countries. Needless to say, the costs of training, time taken and the training programs differed to a certain extent based on location. Also, not all Hilton hotels are owned by the company. Some hotels are managed by outsiders. The company felt the need to consolidate employee training and introduced online training. Another reason for establishing Hilton University was that corporate headquarters felt the need to monitor and control training programs, mainly the content of the training program and its effect on employee skills.

Hilton University conducts several different online training programs. Its employees worldwide are expected to get training for at least 40 hours in a year. One of the businesses' primary needs is the ability of its hotel staff to effectively communicate with its customers. Given that many of its hotels are located in non-English speaking countries, the English training program has become one of its most important one. Hilton's main clientele is comprised of high-income, educated travelers, who are willing to pay a premium for good service and comfort. A large number of its patrons are also from its home country (U.S.). Hence, a majority of its customers are English speaking and with the establishment of Hilton University, the company announced that English would be its official language for conducting business in all parts of the globe.

Accordingly, Hilton University started an English course. It uses GlobalEnglish, the leading online English learning and service provider for business communication. This course provides an engaging and personalized user experience that have students on their way to speaking and writing English in no time at all. Another reason for the introduction of this course was that the company wanted to create an organization culture of shared beliefs about the company and for employees to be able to share knowledge, information, and ideas.

The results of the English training program were good. The GlobalEnglish is used by many team members of Hilton to improve their proficiency in English. On average, more than 75 percent of Hilton's foreign employees commended the program and claimed that it had given them the necessary language skills to be able to confidently perform their jobs. Better communication with guests improves their satisfaction, a good way to greet them more often as they come back. As mentioned earlier, Hilton had set a target of 40 hours per employee, but the number of hours actually clocked in by employees exceeded the target by 10 hours on average.

Since 2005, Hilton University has offered more online language learning, including French, Spanish, Italian, German, and Dutch. However, most of the courses other than language provided by Hilton University are still in English. Since less than 10 percent of Hilton's foreign staff is fluent in English, most of these courses are not comprehensible to the majority of its employees. A possible solution to this problem is to introduce courses in different languages. In addition to the complexity of this task, the company was unable to provide similar learning opportunities to its non-English speaking staff.

In spite of the problem of course language, Hilton University still witnesses great success. From 2002 to 2005, nearly 10,000 Hilton people have completed over 100,000 e-Learning programs. 93 percent of these learners said that they would recommend this form of learning to their friends and colleagues. The strongest "likes" were the chance to learn at a time, place, and speed that is suited the learner.

Boosted by the success of its online programs, Hilton University has introduced several others that the company expects will increase employee productivity and improve service at its hotels all over the world. This initiative by the company has also raised its image in the eyes of employees and the company has gotten a whole lot closer to its objective of maintaining a global service-oriented organization culture.

Source: John Guthrie, "Hilton International: Creating a Global Service Culture," *Chief Learning Officer*, 4 (January 2005), pp. 54–56; www.hiltonuniversity.com, accessed August 1, 2009.

DISCUSSION QUESTIONS

1. Should the salesforce of service multinationals have a global service strategy like Hilton's or should it be more locally oriented to serve the needs of regional customers? Why?
2. How is saleforce training in manufacturing firms different from that in service firms?
3. What are the pros and cons of online training versus face-to-face classroom based training?

CASE 14-2

PROGEON CALL CENTER SERVICES

Western firms have been outsourcing manufacturing operations to low-cost countries for more than five decades now. Business Process Outsourcing, or BPO as it is commonly known, is a relatively new practice and highly controversial at best. The volume of this form of outsourcing has grown exponentially in the last few years. BPO has mainly gone to firms in emerging economies that can provide low cost services. This has led to the establishment of call centers in countries such as India, where a significant part of the population is able to communicate in English. A call center is any organization or a part of an organization that handles incoming and outgoing telephonic calls for consumers. Until some years back, Western multinationals operated their own call centers in their home countries. Recently, these operations have shifted to emerging countries.

Indian information systems company Infosys, one of the fastest growing companies in Asia, set up a subsidiary in April 2002 to respond to this growth in demand for services. The unit, known as Progeon, is jointly owned by Infosys, which owns around 80 percent of the company with the rest being owned by one of Citigroup's finance companies. Since its establishment, Progeon has nabbed BPO contracts with Western firms such as Cisco and British Telecom. Today, the company has more than 20 such large contracts. Progeon provides services related to insurance, banking, finance, and telecom to its customers. These services are grouped into voice jobs and data jobs. Voice jobs are housed in a call center. Most of the firm's clients also have information technology related contracts with one of its parent companies, Infosys.

Progeon's call center operations cater to customers of its Western client firms. The way a call center works is that calls to a company such as Cisco from customers in the United States for example, are routed to call centers such as Progeon in Bangalore, India. Progeon's employees address these calls. Sometimes Progeon's staff is also required to make calls to its client's customers overseas. This enables Western firms to provide services round the clock to their customers and also avail them of such services at lower costs. Thus, call center employees indirectly make up a part of the foreign salesforce of Western firms.

When Western customers dial a phone number to reach a company such as Cisco, oftentimes they are unaware that their call has been routed overseas. A major part of the task for call center employees all over India then is to perfect the American or British accent depending on where their corporate client is based. While most call center employees are hired subject to their ability to speak and write English, very often, their language is heavily accented. This is true in the case of India, which has over 15 different main languages and more than 100 dialects. Therefore, training of call center personnel is important before allowing them to get on the job. Most call centers have rigorous training programs that last around a month for new employees before putting them on the job. These programs include training through singing, skits, conversation simulations, and so on, all with the required accent. Quick learners among new employees are often given awards to motivate them.

Progeon developed its own version of the new salesforce training program, for which it won the Optimas Award given by Workforce Management magazine in the year 2005. Whereas call center employees in other firms are also accent and language trained, Progeon's new recruits, in addition to accent training, are also taught about the industry in which their client firm operates. They are also educated about the firm's history, common usage terms, recent news, and strategies so that they are well versed in the firm's operations. New recruits are made to perfect their accents based on instructions and a thorough analysis of their recorded voices. Recently hired employees are given a course on variation in social behavior in different cultures. As a result, the company has considerably improved the overall quality of their staff. Progeon has significantly reduced employee turnover and enabled the company to gain an upper hand over its rivals. In a country where call centers have sprung up in nearly every corner of major cities, Progeon has managed to differentiate itself.

Source: Charlotte Huff, "Accent on Training," *Workforce Management*, 84 (March 2005), p. 54.

DISCUSSION QUESTIONS

1. What are some of the problems that Progeon's well-trained staff could still face, given that their clients are from culturally distant countries?
2. What are the drawbacks for multinational firms of BPO through call centers in far-off locations?

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