

Chapter 5

Culture, Management Style, and Business Systems



CHAPTER OUTLINE

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The Impact of American Culture on Management Style

Management Styles around the World

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Synthesis: Relationship-Oriented versus Information-Oriented Cultures

CHAPTER LEARNING OBJECTIVES

What you should learn from Chapter 5:

- LO1** The necessity for adapting to cultural differences
- LO2** How and why management styles vary around the world
- LO3** The extent and implications of gender bias in other countries
- LO4** The importance of cultural differences in business ethics
- LO5** The differences between relationship-oriented and information-oriented cultures

Global Perspective

DO BLONDES HAVE MORE FUN IN JAPAN?

Recounts one American executive, “My first trip to Japan was pretty much a disaster for several reasons. The meetings didn’t run smoothly because every day at least 20, if not more, people came walking in and out of the room just to look at me. It is one thing to see a woman at the negotiation table, but to see a woman who happens to be blonde, young, and very tall by Japanese standards (5’8” with no shoes) leading the discussions was more than most of the Japanese men could handle.”

“Even though I was the lead negotiator for the Ford team, the Japanese would go out of their way to avoid speaking directly to me. At the negotiation table I purposely sat in the center of my team, in the spokesperson’s strategic position. Their key person would not sit across from me, but rather two places down. Also, no one would address questions and/or remarks to me—to everyone (all male) on our team—but none to me. They would never say my name or acknowledge my presence. And most disconcerting of all, they appeared to be laughing at me. We would be talking about a serious topic such as product liability, I would make a point or ask a question, and after a barrage of Japanese they would all start laughing.”

Another example regards toys and consumer behavior. For years, Barbie dolls sold in Japan looked different from their U.S. counterparts. They had Asian facial features, black hair, and Japanese-inspired fashions.

Then about seven years ago, Mattel Inc. conducted consumer research around the world and learned something surprising: The original Barbie, with her yellow hair and blue eyes, played as well in Hong Kong as it did in Hollywood. Girls didn’t care if Barbie didn’t look like them, at least if you believed their marketing research.

“It’s all about fantasies and hair,” said Peter Broegger, general manager of Mattel’s Asian operations. “Blonde Barbie sells just as well in Asia as in the United States.”

So Mattel began rethinking one of the basic tenets of its \$55 billion global industry—that children in different countries want different playthings. The implications were significant for kids, parents, and particularly the company. In the past, giants such as Mattel, Hasbro Inc., and Lego Co. produced toys and gear in a variety of styles. But Mattel went the other direction, designing and marketing one version worldwide. Sales plummeted, forcing a Barbie makeover that most recently includes Hello Kitty clothes and a new video game, iDesign. Now, even at age 50, Barbie is making money again.

Sources: James D. Hodgson, Yoshihiro Sano, and John L. Graham, *Doing Business with the New Japan, Succeeding in America’s Richest International Market* (Latham, MD: Rowman & Littlefield, 2008); Lisa Banon and Carltta Vitzthum, “One-Toy-Fits-All: How Industry Learned to Love the Global Kid,” *The Wall Street Journal*, April 29, 2003, p. A1; Andrea Chang, “Barbie Brings in the Bucks,” *Los Angeles Times*, January 30, 2010, p. B3.



Perhaps nothing causes more problems for Americans negotiating in other countries than their impatience. Everyone around the world knows that delaying tactics work well against time-conscious U.S. bargainers.

ordination to the group, and society's ability to maintain high levels of employment. The feudal background of southern Europe tends to emphasize maintenance of both individual and corporate power and authority while blending those feudal traits with paternalistic concern for minimal welfare for workers and other members of society. Various studies identify North Americans as individualists, Japanese as consensus oriented and committed to the group, and central and southern Europeans as elitists and rank conscious. Although these descriptions are stereotypical, they illustrate cultural differences that are often manifest in business behavior and practices. Such differences also coincide quite well with Hofstede's scores listed in Exhibit 4.5 in the last chapter.²

A lack of empathy for and knowledge of foreign business practices can create insurmountable barriers to successful business relations. Some businesses plot their strategies with the idea that their counterparts from other business cultures are similar to themselves and are moved by similar interests, motivations, and goals—that they are “just like us.” Even though that may be true in some respects, enough differences exist to cause frustration, miscommunication, and, ultimately, failed business opportunities if these differences are not understood and responded to properly.

Knowledge of the *management style*—that is, the business culture, management values, and business methods and behaviors—existing in a country and a willingness to accommodate the differences are important to success in an international market. Unless marketers remain flexible by accepting differences in basic patterns of thinking, local business tempo, religious practices, political structure, and family loyalty, they are hampered, if not prevented, from reaching satisfactory conclusions to business transactions. In such situations, obstacles take many forms, but it is not unusual to have one negotiator's business proposition accepted over another's simply because “that one understands us.”

This chapter focuses on matters specifically related to management style. Besides an analysis of the need for adaptation, it reviews differences in management styles and ethics and concludes with a discussion of culture's influence on strategic thinking.

Required Adaptation

LO1

The necessity for adapting to cultural differences

Adaptation is a key concept in international marketing, and willingness to adapt is a crucial attitude. Adaptation, or at least accommodation, is required on small matters as well as large ones.³ In fact, small, seemingly insignificant situations are often the most crucial. More than tolerance of an alien culture is required. Affirmative acceptance, that is, open tolerance may be needed as well. Through such affirmative acceptance, adaptation becomes easier because empathy for another's point of view naturally leads to ideas for meeting cultural differences.

¹Max Weber, *The Protestant Ethic and Spirit of Capitalism* (London: George Allen & Unwin, 1930, 1976).

²Geert Hofstede, *Culture's Consequences*, 2nd ed. (Thousand Oaks, CA: Sage, 2001).

³Emily Maltby, “Expanding Abroad? Avoid Cultural Gaffes,” *The Wall Street Journal*, January 19, 2010, p. B5.

As a guide to adaptation, all who wish to deal with individuals, firms, or authorities in foreign countries should be able to meet 10 basic criteria: (1) open tolerance, (2) flexibility, (3) humility, (4) justice/fairness, (5) ability to adjust to varying tempos, (6) curiosity/interest, (7) knowledge of the country, (8) liking for others, (9) ability to command respect, and (10) ability to integrate oneself into the environment. In short, add the quality of adaptability to the qualities of a good executive for a composite of the successful international marketer. It is difficult to argue with these 10 items. As one critic commented, “They border on the 12 Boy Scout laws.” However, as you read this chapter, you will see that it is the obvious that we sometimes overlook.

Degree of Adaptation

Adaptation does not require business executives to forsake their ways and change to local customs; rather, executives must be aware of local customs and be willing to accommodate those differences that can cause misunderstandings. Essential to effective adaptation is awareness of one’s own culture and the recognition that differences in others can cause anxiety, frustration, and misunderstanding of the host’s intentions. The self-reference criterion (SRC) is especially operative in business customs. If we do not understand our foreign counterpart’s customs, we are more likely to evaluate that person’s behavior in terms of what is familiar to us. For example, from an American perspective, a Brazilian executive interrupting frequently during a business meeting may seem quite rude, even though such behavior simply reflects a cultural difference in conversational coordination.

The key to adaptation is to remain American but to develop an understanding of and willingness to accommodate the differences that exist. A successful marketer knows that in China it is important to make points without winning arguments; criticism, even if asked for, can cause a host to lose face. In Germany, it is considered discourteous to use first names unless specifically invited to do so. Instead, address a person as Herr, Frau, or Fraulein with the last name. In Brazil, do not be offended by the Brazilian inclination to touch during conversation. Such a custom is not a violation of your personal space but rather the Brazilian way of greeting, emphasizing a point, or making a gesture of goodwill and friendship. A Chinese, German, or Brazilian does not expect you to act like one of them. After all, you are American, not Chinese, German, or Brazilian, and it would be foolish for an American to give up the ways that have contributed so notably to American success. It would be equally foolish for others to give up their ways. When different cultures meet, open tolerance and a willingness to accommodate each other’s differences are necessary. Once a marketer is aware of cultural differences and the probable consequences of failure to adapt or accommodate, the seemingly endless variety of customs must be assessed. Where does one begin? Which customs should be absolutely adhered to? Which others can be ignored? Fortunately, among the many obvious differences that exist between cultures, only a few are troubling.

Imperatives, Electives, and Exclusives

Business customs can be grouped into *imperatives*, customs that must be recognized and accommodated; *electives*, customs to which adaptation is helpful but not necessary; and *exclusives*, customs in which an outsider must not participate. An international marketer must appreciate the nuances of cultural imperatives, cultural electives, and cultural exclusives.

Cultural Imperatives. **Cultural imperatives** are the business customs and expectations that must be met and conformed to or avoided if relationships are to be successful. Successful businesspeople know the Chinese word *guanxi*,⁴ the Japanese *ningen kankei*, or the Latin American *compadre*. All refer to friendship, human relations, or attaining a level of trust.⁵ They also know there is no substitute for establishing friendship in some cultures before effective business negotiations can begin.

⁴Alaka N. Rao, Jone L. Pearce, and Katherine Xin, “Governments, Reciprocal Exchange, and Trust Among Business Associates,” *Journal of International Business Studies* 36 (2005), pp. 104–18; Kam-hon Lee, Gong-ming Qian, Julie H. Yu, and Ying Ho, “Trading Favors for Marketing Advantage: Evidence from Hong Kong, China, and the United States” *Journal of International Marketing* 13 (2005), pp. 1–35.

⁵Srilata Zaheer and Akbar Zaheer, “Trust across Borders,” *Journal of International Business Studies* 37 (2006), pp. 21–29.

Informal discussions, entertaining, mutual friends, contacts, and just spending time with others are ways *guanxi*, *ningen kankei*, *compadre*, and other trusting relationships are developed. In those cultures in which friendships are a key to success, the businessperson should not slight the time required for their development. Friendship motivates local agents to make more sales, and friendship helps establish the right relationship with end users, which leads to more sales over a longer period. Naturally, after-sales service, price, and the product must be competitive, but the marketer who has established *guanxi*, *ningen kankei*, or *compadre* has the edge. Establishing friendship is an imperative in many cultures. If friendship is not established, the marketer risks not earning trust and acceptance, the basic cultural prerequisites for developing and retaining effective business relationships.

The significance of establishing friendship cannot be overemphasized, especially in those countries where family relationships are close. In China, for example, the outsider is, at best, in fifth place in order of importance when deciding with whom to conduct business. The family is first, then the extended family, then neighbors from one's hometown, then former classmates, and only then, reluctantly, strangers—and the last only after a trusting relationship has been established.

In some cultures, a person's demeanor is more critical than in other cultures. For example, it is probably never acceptable to lose your patience, raise your voice, or correct someone in public, no matter how frustrating the situation. In some cultures such behavior would only cast you as boorish, but in others, it could end a business deal. In Asian cultures it is imperative to avoid causing your counterpart to lose face. In China, to raise your voice, to shout at a Chinese person in public, or to correct one in front of his or her peers will cause that person to lose face.

A complicating factor in cultural awareness is that what may be an imperative to avoid in one culture is an imperative to do in another. For example, in Japan, prolonged eye contact is considered offensive, and it is imperative that it be avoided. However, with Arab and Latin American executives, it is important to make strong eye contact, or you run the risk of being seen as evasive and untrustworthy.

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Cultural Electives. **Cultural electives** relate to areas of behavior or to customs that cultural aliens may wish to conform to or participate in but that are not required. In other words, following the custom in question is not particularly important but is permissible. The majority of customs fit into this category. One need not greet another man with a kiss (a custom in some countries), eat foods that disagree with the digestive system (so long as the refusal is gracious), or drink alcoholic beverages (if for health, personal, or religious reasons). However, a symbolic attempt to participate in such options is not only acceptable but also may help establish rapport. It demonstrates that the marketer has studied the culture. Japanese do not expect a Westerner to bow and to understand the ritual of bowing among Japanese, yet a symbolic bow indicates interest and some sensitivity to Japanese culture that is acknowledged as a gesture of goodwill. It may help pave the way to a strong, trusting relationship.

A cultural elective in one country may be an imperative in another. For example, in some cultures, one can accept or tactfully and politely reject an offer of a beverage, whereas in other cases, the offer of a beverage is a special ritual and to refuse it is an insult. In the Czech Republic, an aperitif or other liqueur offered at the beginning of a business meeting, even in the morning, is a way to establish goodwill and trust. It is a sign that you are being welcomed as a friend. It is imperative that you accept unless you make it clear to your Czech counterpart that the refusal is because of health or religion. Chinese business negotiations often include banquets at which large quantities of alcohol are consumed in an endless series of toasts. It is imperative that you participate in the toasts with a raised glass of the offered beverage, but to drink is optional. Your Arab business associates will offer coffee as part of the important ritual of establishing a level of friendship and trust; you should accept, even if you only take a ceremonial sip. Cultural electives are the most

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BEIJING, CHINA: German Chancellor Angela Merkel and Chinese Prime Minister Wen Jiabao toast after the EU–China Business Summit at the Great Hall of the People in Beijing. The summit was boosted by the settlement of a trade row that had left 80 million Chinese-made garments piled up in European seaports, unable to be delivered to shops under a quota pact agreed to at the time. Drinking half a bottle is a cultural elective, but taking a sip is more of an imperative in this case.

visibly different customs and thus, more obvious. Often, it is compliance with the less obvious imperatives and exclusives that is more critical.

Cultural Exclusives. **Cultural exclusives** are those customs or behavior patterns reserved exclusively for the locals and from which the foreigner is barred. For example, a Christian attempting to act like a Muslim would be repugnant to a follower of Mohammed. Equally offensive is a foreigner criticizing or joking about a country's politics, mores, and peculiarities (that is, peculiar to the foreigner), even though locals may, among themselves, criticize such issues. There is truth in the old adage, "I'll curse my brother, but if you curse him, you'll have a fight." Few cultural traits are reserved exclusively for locals, but a foreigner must carefully refrain from participating in those that are.

Foreign managers need to be perceptive enough to know when they are dealing with an imperative, an elective, or an exclusive and have the adaptability to respond to each. There are not many imperatives or exclusives, but most offensive behaviors result from not recognizing them. It is not necessary to obsess over committing a faux pas. Most sensible businesspeople will make allowances for the occasional misstep. But the fewer you make, the smoother the relationship will be. By the way, you can ask for help. That is, if you have a good relationship with your foreign counterparts, you can always ask them to tell you when and how you have "misbehaved."

The Impact of American Culture on Management Style

There are at least three reasons to focus briefly on American culture and management style. First, for American readers, it is important to be aware of the elements of culture influencing decisions and behaviors. Such a self-awareness will help American readers adapt to working with associates in other cultures. Second, for readers new to American culture, it is useful to better understand your business associates from the States. The U.S. market is the biggest export market in the world, and we hope this knowledge will help everyone be more patient while conducting business across borders. Third, since the late 1990s, American business culture has been exported around the world, just as in the 1980s Japanese management practices were imitated almost everywhere. Management practices developed in the U.S. environment will not be appropriate and useful everywhere. That is clear. So understanding their bases will help everyone make decisions about applying, adapting, or rejecting American practices. Indeed, most often Peter Drucker's advice will apply: "Different people have to be managed differently."⁶

There are many divergent views regarding the most important ideas on which normative U.S. cultural concepts are based. Those that occur most frequently in discussions of cross-cultural evaluations are represented by the following:

- "Master of destiny" viewpoint.
- Independent enterprise as the instrument of social action.
- Personnel selection and reward based on merit.
- Decisions based on objective analysis.
- Wide sharing in decision making.
- Never-ending quest for improvement.
- Competition producing efficiency.

The "master of destiny" philosophy is fundamental to U.S. management thought. Simply stated, people can substantially influence the future; they are in control of their own destinies. This viewpoint also reflects the attitude that though luck may influence an individual's future, on balance, persistence, hard work, a commitment to fulfill expectations, and effective use of time give people control of their destinies. In contrast, many cultures have a more fatalistic approach to life. They believe individual destiny is determined by a higher order and that what happens cannot be controlled.

⁶Peter F. Drucker, *Management Challenges for the 21st Century* (New York: HarperBusiness, 1999), p. 17.

In the United States, approaches to planning, control, supervision, commitment, motivation, scheduling, and deadlines are all influenced by the concept that individuals can control their futures. Recall from Chapter 4 that the United States scored highest on Hofstede's individualism scale.⁷ In cultures with more collectivistic and fatalistic beliefs, these good business practices may be followed, but concern for the final outcome is different. After all, if one believes the future is determined by an uncontrollable higher order, then what difference does individual effort really make?

The acceptance of the idea that *independent enterprise* is an instrument for social action is the fundamental concept of U.S. corporations. A corporation is recognized as an entity that has rules and continuity of existence and is a separate and vital social institution. This recognition can result in strong feelings of obligation to serve the company. Indeed, the company may take precedence over family, friends, or activities that might detract from what is best for the company. This idea is in sharp contrast to the attitudes held by Mexicans, who feel strongly that personal relationships are more important in daily life than work and the company, and Chinese, who consider a broader set of stakeholders as crucial.

Consistent with the view that individuals control their own destinies is the belief that personnel selection and reward must be made on *merit*. The selection, promotion, motivation, or dismissal of personnel by U.S. managers emphasizes the need to select the best-qualified persons for jobs, retaining them as long as their performance meets standards of expectations and continuing the opportunity for upward mobility as long as those standards are met. In other cultures where friendship or family ties may be more important than the vitality of the organization, the criteria for selection, organization, and motivation are substantially different from those in U.S. companies. In some cultures, organizations expand to accommodate the maximum number of friends and relatives. If one knows that promotions are made on the basis of personal ties and friendships rather than on merit, a fundamental motivating lever is lost. However, in many other cultures, social pressure from one's group often motivates strongly. Superstitions can even come into play in personnel selection; in Japan, a person's blood type can influence hiring decisions!⁸

The very strong belief in the United States that business decisions are based on *objective analysis* and that managers strive to be scientific has a profound effect on the U.S. manager's attitudes toward objectivity in decision making and accuracy of data. Although judgment and intuition are important tools for making decisions, most U.S. managers believe decisions must be supported and based on accurate and relevant information. Thus, in U.S. business, great emphasis is placed on the collection and free flow of information to all levels within the organization and on frankness of expression in the evaluation of business opinions or decisions. In other cultures, such factual and rational support for decisions is not as important; the accuracy of data and even the proper reporting of data are not prime prerequisites. Furthermore, existing data frequently are for the eyes of a select few. The frankness of expression and openness in dealing with data, characteristic of U.S. businesses, do not fit easily into some cultures.

Compatible with the views that one controls one's own destiny and that advancement is based on merit is the prevailing idea of *wide sharing in decision making*. Although decision making is not a democratic process in U.S. businesses, there is a strong belief that individuals in an organization require and, indeed, need the responsibility of making decisions for their continued development. Thus, decisions are frequently decentralized, and the ability as well as the responsibility for making decisions is pushed down to lower ranks of management. In many cultures, decisions are highly centralized, in part because of the belief that only a few in the company have the right or the ability to make decisions. In the Middle East, for example, only top executives make decisions.

A key value underlying the American business system is reflected in the notion of a *never-ending quest for improvement*. The United States has always been a relatively activist society; in many walks of life, the prevailing question is "Can it be done better?" Thus,

⁷Hofstede, *Culture's Consequences*.

⁸David Picker, "Blood, Sweat, and Type O," *The New York Times*, December 14, 2006, p. C15.



What's different about Adam Smith's, "By pursuing his own interests he frequently promotes that of society more effectually than when he really intended to promote it," and Gordon Gekko's, "Greed is good" statements? It's the adverb. Smith didn't say "always," "most of the time," or even "often." He said "frequently." Today many on Wall Street ignore this crucial difference.

management concepts reflect the belief that change is not only normal but also necessary, that nothing is sacred or above improvement. Results are what count; if practices must change to achieve results, then change is in order. In other cultures, the strength and power of those in command frequently rest not on change but on the premise that the status quo demands stable structure. To suggest improvement implies that those in power have failed; for someone in a lower position to suggest change would be viewed as a threat to another's private domain rather than the suggestion of an alert and dynamic individual.

Perhaps most fundamental to Western management practices is the notion that *competition is crucial for efficiency*, improvement, and regeneration. Gordon Gekko put it most banally in the movie *Wall Street*: "Greed is good." Adam Smith in his *The Wealth of Nations* wrote one of the most important sentences in the English language: "By pursuing his own interests he frequently promotes that of the society more effectually than when he really intended to promote it."⁹ This "invisible hand" notion justifies competitive behavior because it improves society and its organizations. Competition among salespeople (for example, sales contests) is a good thing because it promotes better individual performance and, consequently, better corporate performance. However, managers and policymakers in other cultures often do not share this "greed is good" view. Cooperation is more salient, and efficiencies are attained through reduced transaction costs. These latter views are more prevalent in collectivistic cultures such as China and Japan.

Management Styles around the World¹⁰

LO2

How and why management styles vary around the world

Because of the diverse structures, management values, and behaviors encountered in international business, there is considerable variation in the ways business is conducted.¹¹ No matter how thoroughly prepared a marketer may be when approaching a foreign market, a certain amount of cultural shock occurs when

⁹Adam Smith, *The Wealth of Nations*, Book IV (1776; reprint, New York: Modern Library, 1994), p. 485.

¹⁰A Web site that provides information about management styles around the world is www.globalnegotiationresources.com.

¹¹Sam Han, Tony Kang, Stephen Salter, and Yong Keun Yoo, "A Cross-Country Study on the Effects of National Culture on Earnings Management," *Journal of International Business Studies* 41 (2010), pp. 123–41.

differences in the contact level, communications emphasis, tempo, and formality of foreign businesses are encountered. Ethical standards differ substantially across cultures, as do rituals such as sales interactions and negotiations. In most countries, the foreign trader is also likely to encounter a fairly high degree of government involvement. Among the four dimensions of Hofstede's cultural values discussed in Chapter 4, the Individualism/Collectivism Index (IDV) and Power Distance Index (PDI) are especially relevant in examining methods of doing business cross-culturally.

Authority and Decision Making

Business size, ownership, public accountability, and cultural values that determine the prominence of status and position (PDI) combine to influence the authority structure of business. In high-PDI countries such as Mexico and Malaysia, understanding the rank and status of clients and business partners is much more important than in more egalitarian (low-PDI) societies such as Denmark and Israel. In high-PDI countries, subordinates are not likely to contradict bosses, but in low-PDI countries, they often do. Although the international businessperson is confronted with a variety of authority patterns that can complicate decision making in the global environment, most are a variation of three typical patterns: top-level management decisions, decentralized decisions, and committee or group decisions.

Top-level management decision making is generally found in situations in which family or close ownership¹² gives absolute control to owners and businesses are small enough to allow such centralized decision making. In many European businesses, such as those in France, decision-making authority is guarded jealously by a few at the top who exercise tight control. In other countries, such as Mexico and Venezuela, where a semifeudal, land-equals-power heritage exists, management styles are characterized as autocratic and paternalistic. Decision-making participation by middle management tends to be deemphasized; dominant family members make decisions that tend to please the family members more than to increase productivity. This description is also true for government-owned companies in which professional managers have to follow decisions made by politicians, who generally lack any working knowledge about management. In Middle Eastern countries, the top man makes all decisions and prefers to deal only with other executives with decision-making powers. There, one always does business with an individual *per se* rather than an office or title.

As businesses grow and professional management develops, there is a shift toward decentralized management decision making. Decentralized decision making allows executives at different levels of management to exercise authority over their own functions. As mentioned previously, this approach is typical of large-scale businesses with highly developed management systems, such as those found in the United States. A trader in the United States is likely to be dealing with middle management, and title or position generally takes precedence over the individual holding the job.

Committee decision making is by group or consensus. Committees may operate on a centralized or decentralized basis, but the concept of committee management implies something quite different from the individualized functioning of the top management and decentralized decision-making arrangements just discussed. Because Asian cultures and religions tend to emphasize harmony and collectivism, it is not surprising that group decision making predominates there. Despite the emphasis on rank and hierarchy in Japanese social structure, business emphasizes group participation, group harmony, and group decision making—but at the top management level.

The demands of these three types of authority systems on a marketer's ingenuity and adaptability are evident. In the case of the authoritative and delegated societies, the chief

¹²Several researchers have empirically demonstrated the influence and downside of such authority structures. See Kathy Fogel, "Oligarchic Family Control, Social Economic Outcomes, and the Quality of Government," *Journal of International Business Studies* 37 (2006), pp. 603–22; Naresh Kharti, Eric W. K. Tsang, and Thomas M. Begley, "Cronyism: A Cross-Cultural Analysis," *Journal of International Business Studies* 37 (2006), pp. 61–75; Ekin K. Pellegrini and Terri A. Scandura, "Leader-Member Exchange (LMX), Paternalism, and Delegation in the Turkish Business Culture: An Empirical Investigation," *Journal of International Business Studies* 37 (2006), pp. 264–79.

CROSSING BORDERS 5.1

Don't Beat Your Mother-in-Law!

The crowding and collectivism of Chinese culture provide fertile ground for hierarchy. Add in a little Confucian advice, and status relationships become central for understanding Chinese business systems. Confucius's teachings were the foundation for Chinese education for 2,000 years, until 1911. He defined five cardinal relationships: between ruler and ruled, husband and wife, parents and children, older and younger brothers, and friends. Except for the last, all relationships were hierarchical. The ruled, wives, children, and younger brothers, were all counseled to trade obedience and loyalty for the benevolence of their rulers, husbands, parents, and older brothers, respectively. Strict adherence to these vertical relations yielded social harmony, the antidote for the violence and civil war of his time.

Obedience and deference to one's superiors remain strong values in Chinese culture. The story of the Cheng family illustrates the historical salience of social hierarchy and high power distance:

In October 1865, Cheng Han-cheng's wife had the insolence to beat her mother-in-law. This was regarded as such a heinous crime that the following punishment was meted out: Cheng and his wife were both skinned alive, in front of the mother, their skin displayed at city gates in various towns and their bones burned to ashes. Cheng's granduncle, the eldest of his close relatives, was beheaded; his uncle and two brothers, and the

head of the Cheng clan, were hanged. The wife's mother, her face tattooed with the words "neglected the daughter's education," was paraded through seven provinces. Her father was beaten 80 strokes and banished to a distance of 3,000 *li*. The heads of the family in the houses to the right and left of Cheng's were beaten 80 strokes and banished to Heilung-kiang. The educational officer in town was beaten 60 strokes and banished to a distance of 1,000 *li*. Cheng's nine-month-old boy was given a new name and put in the county magistrate's care. Cheng's land was to be left in waste "forever." All this was recorded on a stone stele, and rubbings of the inscriptions were distributed throughout the empire.

We recommend you have your children read this story! But seriously, notice the authorities held responsible the entire social network for the woman's breach of hierarchy. Status is no joke among Chinese. Age and rank of executives and other status markers must be taken into account during business negotiations with Chinese. American informality and egalitarianism will not play well on the western side of the Pacific.

Sources: Dau-lin Hsu, "The Myth of the 'Five Human Relations' of Confucius," *Monumenta Sinica* 1970, pp. 29, 31, quoted in Gary G. Hamilton, "Patriarchalism in Imperial China and Western Europe: A Revision of Weber's Sociology of Domination," *Theory and Society* 13, pp. 393–425; N. Mark Lam and John L. Graham, *China Now, Doing Business in the World's Most Dynamic Market* (New York: McGraw-Hill, 2007).

problem is to identify the individual with authority. In the committee decision setup, every committee member must be convinced of the merits of the proposition or product in question. The marketing approach to each of these situations differs.

Management Objectives and Aspirations

The training and background (i.e., cultural environment) of managers significantly affect their personal and business outlooks.¹³ Society as a whole establishes the social rank or status of management, and cultural background dictates patterns of aspirations and objectives among businesspeople. One study reports that higher CEO compensation is found in Scandinavian firms exposed to Anglo-American financial influence and in part reflects a pay premium for increased risk of dismissal.¹⁴ These cultural influences affect the attitude of managers toward innovation, new products, and conducting business with foreigners. To fully understand another's management style, one must appreciate an individual's values, which are usually reflected in the goals of the business organization and in the practices that prevail within the company. In dealing with foreign business, a marketer must be particularly aware of the varying objectives and aspirations of management.

¹³Ted Baker, Eric Gedajlovic, and Michael Lubatkin, "A Framework for Comparing Entrepreneurship Processes across Nations," *Journal of International Business Studies* 36 (2005), pp. 492–504.

¹⁴Lars Oxelheim and Trond Randoy, "The Anglo-American Financial Influence on CEO Compensation in non-Anglo-American Firms," *Journal of International Business Studies* 36 (2005), pp. 470–83.

Security and Mobility. Personal security and job mobility relate directly to basic human motivation and therefore have widespread economic and social implications. The word *security* is somewhat ambiguous, and this very ambiguity provides some clues to managerial variation. To some, security means a big paycheck and the training and ability required for moving from company to company within the business hierarchy; for others, it means the security of lifetime positions with their companies; to still others, it means adequate retirement plans and other welfare benefits. European companies, particularly in the more hierarchical (PDI) countries, such as France and Italy, have a strong paternalistic orientation, and it is assumed that individuals will work for one company for the majority of their lives. For example, in Britain, managers place great importance on individual achievement and autonomy, whereas French managers place great importance on competent supervision, sound company policies, fringe benefits, security, and comfortable working conditions. French managers have much less mobility than British. Finally, research has shown such differences to be general—commitment of workers to their companies tended to be higher in countries higher in individualism (IDV) and lower in power distance (PDI).¹⁵

Personal Life. For many individuals, a good personal and/or family life takes priority over profit, security, or any other goal.¹⁶ In his worldwide study of individual aspirations, David McClelland¹⁷ discovered that the culture of some countries stressed the virtue of a good personal life as far more important than profit or achievement. The hedonistic outlook of ancient Greece explicitly included work as an undesirable factor that got in the way of the search for pleasure or a good personal life. Alternatively, according to Max Weber,¹⁸ at least part of the standard of living that we enjoy in the United States today can be attributed to the hard-working Protestant ethic from which we derive much of our business heritage.

To the Japanese, personal life is company life. Many Japanese workers regard their work as the most important part of their overall lives. The Japanese work ethic—maintenance of a sense of purpose—derives from company loyalty and frequently results in the Japanese employee maintaining identity with the corporation. Although this notion continues to be true for the majority, strong evidence indicates that the faltering Japanese economy has affected career advancement patterns¹⁹ and has moved the position of the Japanese “salary man” from that of one of Japan’s business elite to one of some derision. Japan’s business culture is gradually shifting away from the lifelong employment that led to intense company loyalty. Now even Japanese formality at the office is bowing to higher oil prices; ties and buttoned collars are being shed to leave thermostats set at 82 degrees.

We can get some measure of the work–personal life trade-off made in different cultures with reference to Exhibit 5.1. As a point of reference, 40 hours per week times 50 weeks

¹⁵Ronald Fischer and Angela Mansell, “Commitment across Cultures: A Meta-Analytic Approach,” *Journal of International Business Studies* 40 (2009), pp. 1339–58.

¹⁶David Gauthier-Villars, “Mon Dieu! Sunday Work Hours Upset French Devotion to Rest,” *The Wall Street Journal*, July 24, 2009, online.

¹⁷David C. McClelland, *The Achieving Society* (New York: The Free Press, 1985).

¹⁸Weber, *The Protestant Ethic*.

¹⁹George Graen, Ravi Dharwadkar, Rajdeep Grewal, and Mitsuru Wakabayashi, “Japanese Career Progress: An Empirical Examination,” *Journal of International Business Studies* 37 (2006), pp. 148–61.

Exhibit 5.1

Annual Hours Worked

Source: OECD, Labor Market Indicators, 2010.

United Kingdom	1670
Canada	1736
Germany	1433
Netherlands	1392
Japan	1785
Norway	1411
United States	1794
S. Korea	2305
Mexico	1871
Italy	1824

CROSSING BORDERS 5.2

The American Tourist and the Mexican Fisherman

An American tourist was at the pier of a small coastal Mexican village when a small boat with just one fisherman docked. Inside the small boat were several large yellowfin tuna. The tourist complimented the Mexican on the quality of the fish and asked how long it took to catch them.

The Mexican replied, "Only a little while."

The tourist then asked, "Why didn't you stay out longer and catch more fish?"

The Mexican replied, "With this I have enough to support my family's needs."

The tourist then asked, "But what do you do with the rest of your time?"

The Mexican fisherman said, "I sleep late, fish a little, play with my children, take a siesta with my wife, Maria, stroll into the village each evening where I sip wine and play guitar with my amigos. I have a full and busy life."

The tourist scoffed, "I can help you. You should spend more time fishing and with the proceeds, buy a bigger boat. With the proceeds from the bigger boat you could buy several boats. Eventually you would have a fleet of fishing boats. Instead of selling your catch to

a middleman you could sell directly to the processor, eventually opening your own cannery. You would control the product, processing, and distribution. You could leave this small village and move to Mexico City, then Los Angeles, and eventually to New York City where you could run your ever-expanding enterprise."

The Mexican fisherman asked, "But, how long will this take?"

The tourist replied, "15 to 20 years."

"But what then?" asked the Mexican.

The tourist laughed and said, "That's the best part. When the time is right you would sell your company stock to the public and become very rich, you would make millions."

"Millions?... Then what?"

The American said, "Then you would retire. Move to a small coastal fishing village where you would sleep late, fish a little, play with your grandkids, take a siesta with your wife, stroll to the village in the evenings where you could sip wine and play your guitar with your amigos."

Source: Author unknown.

equals 2,000 hours. The Americans appear to be in the middle of hours worked, far above the northern Europeans and way below the South Koreans. Most Americans are getting about two weeks of paid vacation, while in Europe they are taking between four and six weeks! In South Korea and other Asian nations, Saturday is a workday. Although we do not list the numbers for China, the new pressures of free enterprise are adding hours and stress there as well. However, the scariest datum isn't in the table. While hours worked are decreasing almost everywhere, in the States the numbers are increasing, up 36 hours from 1990. Thank you Max Weber! We wonder: How will things be in 2020?

Affiliation and Social Acceptance. In some countries, acceptance by neighbors and fellow workers appears to be a predominant goal within business. The Asian outlook is reflected in the group decision making so important in Japan, and the Japanese place high importance on fitting in with their group. Group identification is so strong in Japan that when a worker is asked what he does for a living, he generally answers by telling you he works for Sumitomo or Mitsubishi or Matsushita, rather than that he is a chauffeur, an engineer, or a chemist.

Power and Achievement. Although there is some power seeking by business managers throughout the world, power seems to be a more important motivating force in South American countries. In these countries, many business leaders are not only profit oriented but also use their business positions to become social and political leaders. Related, but different, are the motivations for achievement also identified by management researchers in the United States. One way to measure achievement is by money in the bank; another is high rank—both aspirations particularly relevant to the United States.

Communication Styles

Edward T. Hall, professor of anthropology and for decades a consultant to business and government on intercultural relations, tells us that communication involves much more than just words. His article "The Silent Language of Overseas Business," which appeared



Speaking of office space: Notice the individualism reflected in the American cubicles and the collectivism demonstrated by the Japanese office organization.

in the *Harvard Business Review* in 1960,²⁰ remains a most worthwhile read. In it he describes the symbolic meanings (**silent languages**) of *time*, *space*, *things*, *friendships*, and *agreements* and how they vary across cultures. In 1960 Hall could not have anticipated the innovations brought on by the Internet. However, all of his ideas about cross-cultural communication apply to that medium as well. We begin here with a discussion of communication in the face-to-face setting and then move to the electronic media.

Face-to-Face Communication. No language readily translates into another because the meanings of words differ widely among languages. For example, the word “marriage,” even when accurately translated, can connote very different things in different languages—in one it may mean love, in another restrictions. Although language is the basic communication tool of marketers trading in foreign lands, managers, particularly from the United States, often fail to develop even a basic understanding of just one other language, much less master the linguistic nuances that reveal unspoken attitudes and information.

On the basis of decades of anthropological fieldwork, Hall²¹ places 11 cultures along a high-context/low-context continuum (see Exhibit 5.2). Communication in a high-context culture depends heavily on the contextual (*who* says it, *when* it is said, *how* it is said) or nonverbal aspects of communication, whereas the low-context culture depends more on explicit, verbally expressed communications.

A brief exemplar of the high-/low-context dimension of communication style regards an international marketing executive’s description of a Los Angeles business entertainment event: “I picked him [a German client] up at his hotel near LAX and asked what kind of food he wanted for dinner. He said, ‘Something local.’ Now in LA local food is Mexican food. I’d never met anyone that hadn’t had a taco before! We went to a great Mexican place in Santa Monica and had it all, guacamole, salsa, enchiladas, burritos, a real Alka-Seltzer kind of night. When we were done I asked how he liked the food. He responded rather blandly, ‘It wasn’t very good.’”

The American might have been taken aback by his client’s honest, and perhaps too direct, answer. However, the American knew well about German frankness²² and just rolled with the “blow.” Germans, being very low-context oriented, just deliver the information without any social padding. Most Americans would soften the blow some with an answer more like, “It was pretty good, but maybe a bit too spicy.” And a high-context oriented

²⁰*Harvard Business Review*, May–June 1960, pp. 87–96.

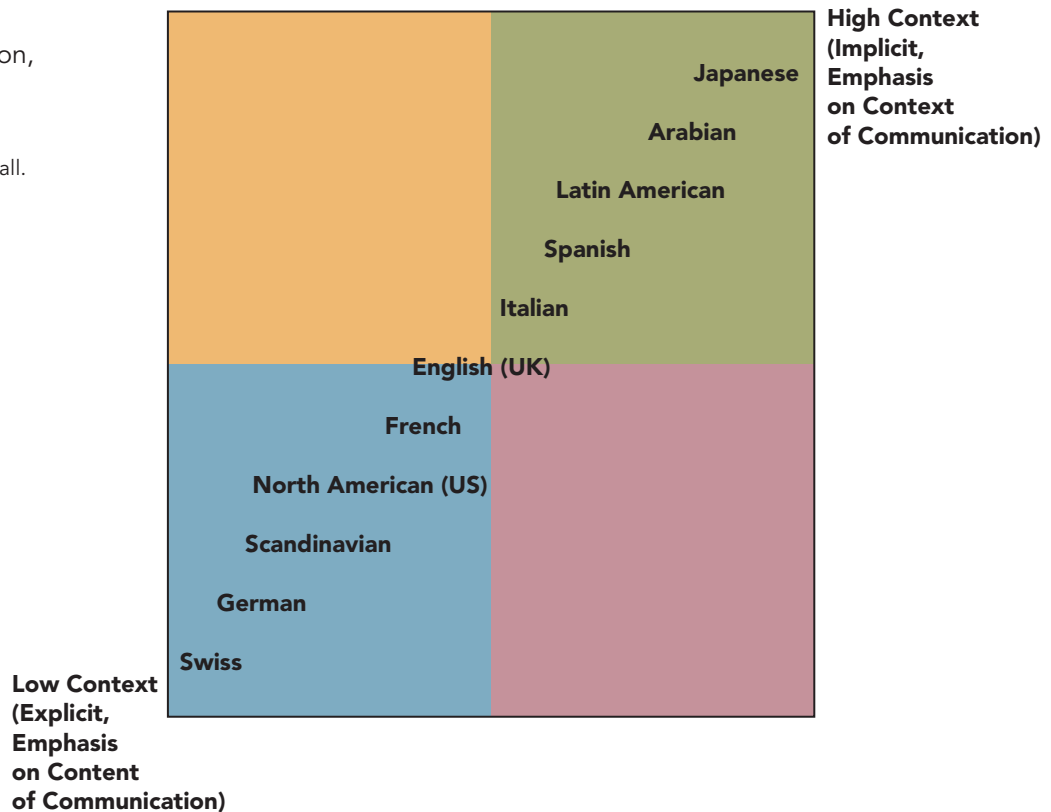
²¹Edward T. Hall, “Learning the Arabs’ Silent Language,” *Psychology Today*, August 1979, pp. 45–53. Hall has several books that should be read by everyone involved in international business, including *The Silent Language* (New York: Doubleday, 1959), *The Hidden Dimension* (New York: Doubleday, 1966), and *Beyond Culture* (New York: Anchor Press-Doubleday, 1976).

²²Interestingly, the etymology of the term “frankness” has to do with the Franks, an ancient Germanic tribe that settled along the Rhine. This is not mere coincidence; it’s history again influencing symbols (that is, language)!

Exhibit 5.2

Context, Communication, and Cultures: Edward Hall's Scale

Note: Patterned after E. T. Hall.



Japanese would really pad the response with something like, “It was very good. Thanks.” But then the Japanese would never order Mexican food again.

An American or German might view the Japanese response as less than truthful, but from the Japanese perspective, he was just preserving a harmonious relationship. Indeed, the Japanese have two words for truth, *honme* (true mind) and *tatema* (official stance).²³ The former delivers the information, and the latter preserves the relationship. And in high-context Japan, the latter is often more important.

Internet Communications. The message on a business-to-business Web site is an extension of the company and should be as sensitive to business customs as any other company representative would be. Once a message is posted, it can be read anywhere, at any time. As a consequence, the opportunity to convey an unintended message is infinite. Nothing about the Web will change the extent to which people identify with their own languages and cultures; thus, language should be at the top of the list when examining the viability of a company’s Web site.

Estimates are that 78 percent of today’s Web site content is written in English, but an English e-mail message cannot be understood by 35 percent of all Internet users. A study of businesses on the European continent highlights the need for companies to respond in the languages of their Web sites. One-third of the European senior managers surveyed said they would not tolerate English online. They do not believe that middle managers can use English well enough to transact business on the Internet.

At the extreme are the French, who even ban the use of English terms. The French Ministry of Finance issued a directive that all official French civil service correspondence must avoid common English-language business words such as *start-up* and *e-mail*; instead, *jeune pousse* (literally, “a young plant”) and *courrier électronique* are recommended.

The solution to the problem is to have country-specific Web sites, like those of IBM and Marriott. Dell Computer, for example, makes its Premier Pages Web sites built for

²³James D. Hodgson, Yoshihiro Sano, and John L. Graham, *Doing Business with the New Japan* (Boulder, CO: Rowman & Littlefield, 2008).

its business clients, available in 12 languages. A host of companies specialize in Web site translations; in addition, software programs are available to translate the company message into another language. However, cultural and linguistic correctness remains a problem with machine translation. If not properly done, English phrases are likely to be translated in a way that will embarrass or even damage a company. One way to avoid this issue is to prepare the original source material in easy-to-translate English, devoid of complicated phrases, idioms, or slang. Unfortunately, no machine translation is available that can manage all the nuances of language or syntax.

It would be ideal if every representative of your company spoke fluently the language of and understood the culture of your foreign customers or business associates; but that is an impossible goal for most companies. However, there is no reason why every person who accesses a company's Web site should not be able to communicate in his or her own language if a company wants to be truly global.

In addition to being language friendly, a Web site should be examined for any symbols, icons, and other nonverbal impressions that could convey an unwanted message. Icons that are frequently used on Web sites can be misunderstood. For example, an icon such as a hand making a high-five sign will be offensive in Greece; an image of a thumb-to-index finger, the A-OK gesture, will infuriate visitors in Brazil; a two-fingered peace sign when turned around has a very crude meaning to the British; and AOL's "You've Got Mail" looks a lot like a loaf of bread to a European. Colors can also pose a problem; green is a sacred color in some Middle Eastern cultures and should not be used for something frivolous like a Web background.

Finally, e-mail use and usage rates by managers are also affected by culture. That is, businesspeople in high-context cultures do not use the medium to the same extent as those in low-context cultures. Indeed, the structure of the Japanese language has at least hindered the diffusion of Internet technologies in that country.²⁴ Moreover, businesspeople in Hong Kong behave less cooperatively in negotiations using e-mail than in face-to-face encounters.²⁵ Much of the contextual information so important in high-context cultures simply cannot be signaled via the computer.

Formality and Tempo

The breezy informality and haste that seem to characterize American business relationships appear to be American exclusives that businesspeople from other countries not only fail to share but also fail to appreciate. A German executive commented that he was taken aback when employees of his Indiana client called him by his first name. He noted, "In Germany you don't do that until you know someone for 10 years—and never if you are at a lower rank." This apparent informality, however, does not indicate a lack of commitment to the job. Comparing British and American business managers, an English executive commented about the American manager's compelling involvement in business: "At a cocktail party or a dinner, the American is still on duty."

Even though Northern Europeans seem to have picked up some American attitudes in recent years, do not count on them being "Americanized." As one writer says, "While using first names in business encounters is regarded as an American vice in many countries, nowhere is it found more offensive than in France," where formality still reigns. Those who work side by side for years still address one another with formal pronouns. France is higher on Hofstede's Power Distance Index (PDI) than the United States, and such differences can lead to cultural misunderstandings. For example, the formalities of French business practices as opposed to Americans' casual manners are symbols of the French need to show rank and Americans' tendency to downplay it. Thus, the French are dubbed snobbish by Americans, while the French consider Americans crude and unsophisticated.

Haste and impatience are probably the most common mistakes of North Americans attempting to trade in the Middle East. Most Arabs do not like to embark on serious business discussions until after two or three opportunities to meet the individual they are dealing with; negotiations are likely to be prolonged. Arabs may make rapid decisions once they are prepared to do so, but they do not like to be rushed, and they do not like deadlines. The managing

²⁴Ibid.

²⁵Guang Yang and John L. Graham, "The Impact of Computer-Mediated Communications on the Process and Outcomes of Buyer-Seller Negotiations," working paper, University of California, Irvine, 2010.

partner of the Kuwait office of KPMG Peat Marwick says of the “fly-in visit” approach of many American businesspeople, “What in the West might be regarded as dynamic activity—the ‘I’ve only got a day here’ approach—may well be regarded here as merely rude.”

Marketers who expect maximum success have to deal with foreign executives in ways that are acceptable to the foreigner. Latin Americans depend greatly on friendships but establish these friendships only in the South American way: slowly, over a considerable period of time. A typical Latin American is highly formal until a genuine relationship of respect and friendship is established. Even then, the Latin American is slow to get down to business and will not be pushed. In keeping with the culture, *mañana* (tomorrow) is good enough. How people perceive time helps explain some of the differences between U.S. managers and those from other cultures.

P-Time versus M-Time

Research has demonstrated that managers in Anglo cultures such as the United States tend to be more concerned with time management than managers from either Latin or Asian cultures.²⁶ Our stereotype of Latin cultures, for example, is “they are always late,” and their view of us is “you are always prompt.” Neither statement is completely true, though both contain some truth. What is true, however, is that the United States is a very time-oriented society—time is money to us—whereas in many other cultures, time is to be savored, not spent.

Edward T. Hall defines two time systems in the world: **monochronic** and **polychronic time**. *M-time*, or *monochronic time*, typifies most North Americans, Swiss, Germans, and Scandinavians. These Western cultures tend to concentrate on one thing at a time. They divide time into small units and are concerned with promptness. M-time is used in a linear way, and it is experienced as almost tangible, in that one saves time, wastes time, bides time, spends time, and loses time. Most low-context cultures operate on M-time. *P-time*, or *polychronic time*, is more dominant in high-context cultures, where the completion of a human transaction is emphasized more than holding to schedules. P-time is characterized by the simultaneous occurrence of many things and by “a great involvement with people.” P-time allows for relationships to build and context to be absorbed as parts of high-context cultures.

One study comparing perceptions of punctuality in the United States and Brazil found that Brazilian timepieces were less reliable and public clocks less available than in the United States. Researchers also found that Brazilians more often described themselves as late arrivers, allowed greater flexibility in defining *early* and *late*, were less concerned about being late, and were more likely to blame external factors for their lateness than were Americans.²⁷ Please see comparisons of 31 countries in Exhibit 5.3. We note that one study has found the index useful as it well predicts the number of days necessary for obtaining a business license in the 31 countries.²⁸

The American desire to get straight to the point and get down to business is a manifestation of an M-time culture, as are other indications of directness. The P-time system gives rise to looser time schedules, deeper involvement with individuals, and a wait-and-see-what-develops attitude. For example, two Latin colleagues conversing would likely opt to be late for their next appointments rather than abruptly terminate the conversation before it came to a natural conclusion. P-time is characterized by a much looser notion of being on time or late. Interruptions are routine, delays to be expected. It is not so much putting things off until *mañana* as it is the concept that human activity is not expected to proceed like clockwork.

Most cultures offer a mix of P-time and M-time behavior but have a tendency to adopt either more P-time or M-time with regard to the role time plays. Some are similar to Japan, where appointments are adhered to with the greatest M-time precision but P-time is followed once a meeting begins. The Japanese see U.S. businesspeople as too time bound and driven by schedules and deadlines that thwart the easy development of friendships.

When businesspeople from M-time and P-time meet, adjustments need to be made for a harmonious relationship. Often clarity can be gained by specifying tactfully, for example,

²⁶Glen H. Brodowsky, Beverlee B. Anderson, Camille P. Schuster, Ofer Meilich, and M. Ven Venkatesan, “If Time Is Money Is It a Common Currency? Time in Anglo, Asian, and Latin Cultures,” *Journal of Global Marketing* 21, no. 4 (2008), pp. 245–58.

²⁷Robert Levine, *The Geography of Time* (New York: Basic Books, 1998).

²⁸Runtian Jing and John L. Graham, “Regulation vs. Values: How Culture Plays Its Role,” *Journal of Business Ethics* 80, no. 4 (2008), pp. 791–806.

Exhibit 5.3

Speed Is Relative

Rank of 31 countries for overall pace of life [combination of three measures: (1) minutes downtown pedestrians take to walk 60 feet, (2) minutes it takes a postal clerk to complete a stamp-purchase transaction, and (3) accuracy in minutes of public clocks].

Source: Robert Levine, "The Pace of Life in 31 Countries," *American Demographics*, November, 1997. Copyright © 2010 Crain Communication. Reprinted with permission.

Overall Pace	Country	Walking 60 Feet	Postal Service	Public Clocks
1	Switzerland	3	2	1
2	Ireland	1	3	11
3	Germany	5	1	8
4	Japan	7	4	6
5	Italy	10	12	2
6	England	4	9	13
7	Sweden	13	5	7
8	Austria	23	8	9
9	Netherlands	2	14	25
10	Hong Kong	14	6	14
11	France	8	18	10
12	Poland	12	15	8
13	Costa Rica	16	10	15
14	Taiwan	18	7	21
15	Singapore	25	11	4
16	United States	6	23	20
17	Canada	11	21	22
18	South Korea	20	20	16
19	Hungary	19	19	18
20	Czech Republic	21	17	23
21	Greece	14	13	29
22	Kenya	9	30	24
23	China	24	25	12
24	Bulgaria	27	22	17
25	Romania	30	29	5
26	Jordan	28	27	19
27	Syria	29	28	27
28	El Salvador	22	16	31
29	Brazil	31	24	28
30	Indonesia	26	26	30
31	Mexico	17	31	26

whether a meeting is to be on "Mexican time"²⁹ or "American time." An American who has been working successfully with the Saudis for many years says he has learned to take plenty of things to do when he travels. Others schedule appointments in their offices so they can work until their P-time friend arrives. The important thing for the U.S. manager to learn is adjustment to P-time in order to avoid the anxiety and frustration that comes from being out of synchronization with local time. As global markets expand, however, more businesspeople from P-time cultures are adapting to M-time.

Negotiations Emphasis

Business negotiations are perhaps the most fundamental commercial rituals. All the just-discussed differences in business customs and culture come into play more frequently and more obviously in the negotiating process than in any other aspect of business. The basic elements of business negotiations are the same in any country: They relate to the product, its price and terms, services associated with the product, and, finally, friendship between vendors and customers. But it is important to remember that the negotiating process is complicated, and the risk of misunderstanding increases when negotiating with someone from another culture.

Attitudes brought to the negotiating table by each individual are affected by many cultural factors and customs often unknown to the other participants and perhaps unrecognized by the individuals themselves. His or her cultural background conditions each negotiator's understanding and interpretation of what transpires in negotiating sessions. The possibility of offending one another or misinterpreting others' motives is especially high when one's self-reference criteria (SRC) is the basis for assessing a situation. One standard rule in

²⁹Ken Ellingwood, "Just Late Enough to Be Early," *Los Angeles Times*, September 12, 2009, pp. A1, A25.

negotiating is “know thyself” first and “know your counterpart” second. The SRC of both parties can come into play here if care is not taken. How business customs and culture influence negotiations is the focus of Chapter 19.

Marketing Orientation

The extent of a company’s *marketing orientation* has been shown to relate positively to profits. Although American companies are increasingly embracing this notion (and marketing in general),³⁰ firms in other countries have not been so fast to change from the more traditional *production* (consumers prefer products that are widely available), *product* (consumers favor products that offer the best quality, performance, or innovative features), and *selling* (consumers and businesses alike will not buy enough without prodding) orientations. For example, in many countries, engineers dominate corporate boards, and the focus is more toward a product orientation. However, more profitable American firms have adopted strong marketing orientations wherein everyone in the organization (from shop floor to finance) is encouraged to, and even receive rewards if, they generate, disseminate, and respond to marketing intelligence (that is, consumers’ preferences, competitors’ actions, and regulators’ decisions). Recently researchers have empirically verified that for various complex reasons, including cultural explanations, a marketing orientation is less prevalent in a number of other countries;³¹ and it can be difficult to encourage such an orientation across diverse business units in global companies.³²

Gender Bias in International Business

LO3

The extent and implications of gender bias in other countries

The gender bias against female managers that exists in some countries, coupled with myths harbored by male managers, creates hesitancy among U.S. multinational companies to offer women international assignments. Although women now constitute more than half of the U.S. workforce,³³ they represent relatively small



Two ways to prevent the harassment of women. Mika Kondo Kunieda, a consultant at the World Bank in Tokyo explains, “I ride in a special women-only metro car that runs between 7:20 and 9:20 am. The cars were created in 2005 due to frequent complaints that women were being groped and sexually harassed. I was a victim a few times when I was younger, and it was—and still is—a humiliating experience. I had to learn how to position myself against moves even in the most overcrowded train. Now, I’ve seen a few men get visibly anxious when they realize they’ve accidentally boarded a car during women-only time!”³⁴ The Koran also specifies the cover-up pictured here in Riyadh, Saudi Arabia.

³⁰John F. Gaski and Michael J. Etzel, “National Aggregate Consumer Sentiment toward Marketing: A Thirty-Year Retrospective and Analysis,” *Journal of Consumer Research* 31 (2005), pp. 859–67.

³¹Sin et al., “Marketing Orientation”; John Kuada and Seth N. Buatsi, “Market Orientation and Management Practices in Ghanaian Firms: Revisiting the Jaworski and Kohli Framework,” *Journal of International Marketing* 13 (2005), pp. 58–88; Reto Felix and Wolfgang Hinck, “Market Orientation of Mexican Companies,” *Journal of International Marketing* 13 (2005), pp. 111–27.

³²Paul D. Ellis, “Distance, Dependence and Diversity of Markets: Effects on Market Orientation,” *Journal of International Business Studies* 38 (2007), pp. 374–86.

³³“We Did It!” *The Economist*, January 2, 2010, p. 7.

³⁴“Eye on the World,” *Marie Claire*, April 2007, p. 134.

CROSSING BORDERS 5.3

Cultures Change, Albeit Slowly

SEOUL

In a time-honored practice in South Korea's corporate culture, the 38-year-old manager at an online game company took his 10-person team on twice-weekly after-work drinking bouts. He exhorted his subordinates to drink, including a 29-year-old graphic designer who protested that her limit was two glasses of beer. "Either you drink or you get it from me tomorrow," the boss told her one evening.

She drank, fearing that refusing to do so would hurt her career. But eventually, unable to take the drinking any longer, she quit and sued. In May, in the first ruling of its kind, the Seoul High Court said that forcing a subordinate to drink alcohol was illegal, and it pronounced the manager guilty of a "violation of human dignity." The court awarded the woman \$32,000 in damages for the incidents, which occurred in 2004.

The ruling was as much a testament to women's growing presence in corporate life there as a confirmation of changes already under way. As an increasing number of women have joined companies as professionals, corporate South Korea has struggled to change the country's corporate culture, starting with its attitude toward alcohol.

TOKYO

The experience of Kayoko Mura illustrates a big shift in attitudes of Japanese companies toward female workers. When Mura quit her accounting job 16 years ago, food giant Kagome Co. did little to stop her. She was getting married and felt she could not ask for a transfer to Tokyo, where she and her husband were to live.

But last summer, Kagome's Tokyo office sought out Mura, now 44 years old, and wooed her back to the same kind of job she had had before. It also assigned a system engineer to work with her until she got up to speed with the computer system. Kagome even accepted her request to work part-time, just three days a week, six hours a day. "There are many women who quit after we had spent time and money in training," says Tomoko Sone, a Kagome spokeswoman. "For the company, [not hiring them back] is such a waste."

OSLO

Beginning in 2008, all public companies in Norway were mandated to have at least 40 percent women among their board members. Before the law passed in 2003, 7 percent of corporate board members were women. But the number has risen quickly, as suggested in Exhibit 5.4, to 36 percent in 2008, though 75 companies have yet to meet the quota. Statoil's Chairman of the Board, Grace Reksten Skaugen, explains her gender's advantages: "Women feel more compelled than men to do their homework, and we can afford to ask the hard questions, because women are not always expected to know the answers." Reksten Skaugen was voted Norway's chairperson of the year for 2007.

Sources: Norimitsu Onishi, "Corporate Korea Corks the Bottle as Women Rise," *The New York Times*, June 10, 2007, pp. 1, 4; Miho Inada, "Japanese Companies Woo Women Back to Work," *The Wall Street Journal*, July 23, 2007, pp. B1, B3; Siri Terjesen and Val Singh, "Female Presence on Corporate Boards: A Multi-Country Study," *Journal of Business Ethics* 85 (2008), pp. 55–63; "We Did It!" *The Economist*, January 2, 2010, p. 7.

percentages of the employees who are chosen for international assignments—less than 20 percent. Why? The most frequently cited reason is the inability for women to succeed abroad. As one executive was quoted as saying, "Overall, female American executives tend not to be as successful in extended foreign work assignments as are male American executives." Unfortunately, such attitudes are shared by many and probably stem from the belief that the traditional roles of women in male-dominated societies preclude women from establishing successful relationships with host-country associates. An often-asked question is whether it is appropriate to send women to conduct business with foreign customers in cultures where women are typically not in managerial positions. To some, it appears logical that if women are not accepted in managerial roles within their own cultures, a foreign woman will not be any more acceptable.

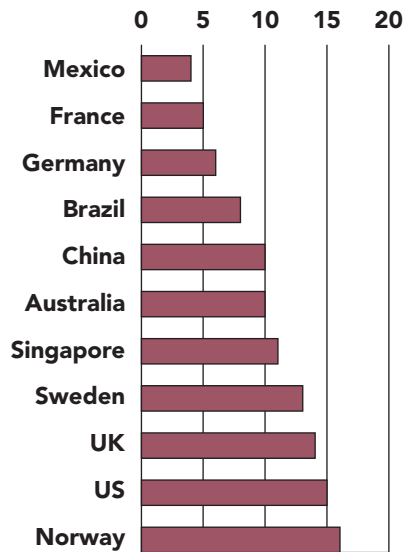
In many cultures—Asian, Middle Eastern, and Latin American—women are not typically found in upper levels of management (see Exhibit 5.4), and men and women are treated very differently. Moreover, the preferred leadership prototypes of male and female leaders varies across countries as well.³⁵ Indeed, the scariest newspaper headline ever written

³⁵Lori D. Paris, Jon P. Howell, Peter W. Dorfman, and Paul J. Hanges, "Preferred Leadership Prototypes of Male and Female Leaders in 27 Countries," *Journal of International Business Studies* 40 (2009), pp. 1396–405.

Exhibit 5.4

Few and Far Between

Source: Siri Terjesen and Val Singh, "Female Presence on Corporate Boards: A Multi-Country Study," *Journal of Business Ethics* 85 (2008), pp. 55–63.



Female directors on corporate boards as a percentage of total.

may have been "Asia, Vanishing Point for as Many as 100 Million Women." The article, appearing in the *International Herald Tribune* in 1991,³⁶ points out that the birthrate in most countries around the world is about 105 boys for every 100 girls. However, in countries like the United States or Japan, where generally women outlive men, there are about 96 men per 100 women in the population. The current numbers of men per 100 women in other Asian countries are as follows: Korea 102, China 103, India 109, and Pakistan 106. The article describes systematic discrimination against females from birth. Now illegal everywhere, ultrasound units are still being used for making gender-specific abortion decisions, and all this prejudice against females is creating disruptive shortages of women. In some provinces in China, there are currently 120 men per 100 women.

Despite the substantial prejudices toward women in foreign countries, evidence suggests that prejudice toward foreign women executives may be exaggerated and that the treatment local women receive in their own cultures is not necessarily an indicator of how a foreign businesswoman is treated. It would be inaccurate to suggest that there is no difference in how male and female managers are perceived in different cultures. However, this difference does not mean that women cannot be successful in foreign postings.

A key to success for both men and women in international business often hinges on the strength of a firm's backing. When a female manager receives training and the strong backing of her firm, she usually receives the respect commensurate with the position she holds and the firm she represents. For success, a woman needs a title that gives immediate credibility in the culture in which she is working and a support structure and reporting relationship that will help her get the job done.³⁷ In short, with the power of the corporate organization behind her, resistance to her as a woman either does not materialize or is less troublesome than anticipated. Once business negotiations begin, the willingness of a business host to engage in business transactions and the respect shown to a foreign businessperson grow or diminish depending on the business skills he or she demonstrates, regardless of gender. As one executive stated, "The most difficult aspect of an international assignment is getting sent, not succeeding once sent."

The number of women in managerial positions (all levels) in most European countries, with the exception of Germany, is comparable to the United States. The International Labor Organization notes that in the United States, 43 percent of managerial positions are held by women, in Britain 33 percent, and in Switzerland 28 percent. In Germany, however, the picture is different. According to one economic source, German female executives hold just 9.2 percent of management jobs and meet stiff resistance from their male counterparts when they vie for upper-level positions. But the good news is an indication that some German businesses are attempting to remedy the situation. One step taken to help boost women up the executive ladder is a so-called cross-mentoring system organized by Lufthansa and seven other major corporations. High-ranking managers in one company offer advice to female managers in another firm in an effort to help them develop the kind of old-boy network that allows male managers to climb the corporate ladder successfully.³⁸

³⁶See January 7, 1991, p. 1.

³⁷Nancy J. Adler, *International Dimensions of Organizational Behavior* (Mason, OH: Southwestern College Publishing, 2007).

³⁸For broader information about global women's equality (including scores for economic participation and opportunity), go to <http://www.weforum.org> for the *World Economic Forum's Gender Gap Index*, 2007. On the economic opportunity scale, the United States ranks third, Norway eleventh, Germany thirty-second, Japan eighty-third, and Saudi Arabia one hundred-fifteenth, last on the list of 115 countries.

As world markets become more global and international competition intensifies, U.S. companies need to be represented by the most capable personnel available, from entry level to CEO. Research shows that global companies are requiring international experience for top executive positions. Executives who have had international experience are more likely to get promoted, have higher rewards, and have greater occupational tenure. The lack of international experience should not be a structural barrier to breaking through the glass ceiling in corporate America; to limit the talent pool simply because of gender seems shortsighted. The good news is that things are improving worldwide for women in management, and the topic of gender in multinational companies is receiving increasing research attention as well.³⁹

So what about our female Ford executive mentioned at the start of the chapter? She was having no fun in Japan when we left her story. However, by all accounts (from peers, supervisors, and even Japanese counterparts) that first encounter was not representative of her continuing successes with the Japanese. She attributes her subsequent effectiveness to the strong support of her male Ford team members and her own recognition of the importance of building personal relationships with the Japanese. She explains:

My husband, also a Ford manager working with Japanese clients, and I decided to have a few of our Mazda associates over for an “All-American” dinner during their next trip to Detroit. So, we started out inviting three people to our home. We thought this would be a nice intimate way to get to know one another and provide the Japanese with an honest-to-goodness homemade American meal. By the eve of the dinner word had gotten out and we had thirteen for dinner. They sort of invited themselves, they changed their meetings around, and some even flew in from the Chicago Auto Show. We had a wonderful time and for the first time they saw me as a person. A mom and a wife as well as a business associate. We talked about families, some business, not particulars, but world economics and the auto industry in general. The dinner party was a key turning point in my relationships with Mazda.⁴⁰

Business Ethics

LO4

The importance of cultural differences in business ethics

The moral question of what is right or appropriate poses many dilemmas for domestic marketers. Even within a country, ethical standards are frequently not defined or always clear. The problem of business ethics is infinitely more complex in the international marketplace because value judgments differ widely among culturally diverse groups.⁴¹ That which is commonly accepted as right in one country may be completely unacceptable in another, though at least one study has shown relative consistency across 41 countries in the ethics of persuading superiors.⁴² Giving business gifts of high value, for example, is generally condemned in the United States, but in many countries of the world, gifts are not only accepted but also expected.⁴³

Corruption Defined

Indeed, consistent with the discussions about language, the meaning of the word corruption varies considerably around the world. In formerly communist countries where Marxism was an important part of the educational system for many, *profits* can be seen as a kind of

³⁹For example, see K. Praveen Parboteeah, Martin Hoegl, and John B. Cullen, “Managers’ Gender Role Attitudes: A Country Institutional Profile Approach,” *Journal of International Business Studies* 39, no. 5 (2008), pp. 795–813; William Newburry, Liuba Y. Belkin, and Paradis Ansari, “Perceived Career Opportunities from Globalization Capabilities and Attitudes towards Women in Iran and the U.S.,” *Journal of International Business Studies* 39, no. 5 (2008), pp. 814–32.

⁴⁰Hodgson, Sano, and Graham, *Doing Business with the New Japan*.

⁴¹Pallab Paul, Abhijit Roy, and Kausiki Mukhopadhyay, “The Impact of Cultural Values on Marketing Ethical Norms: A Study in India and the United States,” *Journal of International Marketing* 14 (2006), pp. 28–56; Jatinder J. Singh, Scott J. Vitell, Jamal Al-Khatif, and Irvine Clark III, “The Role of Moral Intensity and Personal Moral Philosophies in the Ethical Decision Making of Marketers: A Cross-Cultural Comparison of China and the United States,” *Journal of International Marketing* 15 (2007), pp. 86–112; Srivatsa Seshadri and Greg M. Broekemier, “Ethical Decision Making: Panama-United States Differences in Consumer and Marketing Contexts,” *Journal of Global Marketing* 22 (2009), pp. 299–311.

⁴²David A. Ralston, Carolyn P. Egri, Maria Teresa de la Garza Carranza, and Prem Ramburuth, and 44 colleagues, “Ethical Preferences for Influencing Superiors: A 41 Society Study,” *Journal of International Business Studies* 40 (2009), pp. 1022–45.

⁴³See <http://www.ethics.org> and <http://www.business-ethics.org> for more pertinent information.

Pope Benedict XVI wrote that the Harry Potter books and movies can “deeply distort Christianity in the soul, before it can grow properly.” Meanwhile, Antonio Banderas perhaps helped improve European acceptability for *Shrek 2* when he showed up for the Madrid premiere. In any case, products and services directed at kids get special attention from parents and regulators around the world.



corruption. What American managers view as essential, others view as a sign of exploitation. The *individualism* so important to Americans can also be seen as a kind of corruption. The Japanese have an expression: “The nail that sticks up gets hammered down.” In India many attribute the decline in the society there to the *rampant consumerism*, such as that promoted on MTV. Of course, such rampant consumerism is what kept the American economy afloat right after the turn of the century. In some countries, there is no greater Satan than *R-rated American movies* with their sex and violence. In China, *missionaries* and religious movements are viewed by the government as potentially dangerous and disruptive. Many in sub-Saharan Africa view Western *intellectual property laws* as a kind of exploitation that prevents treatment of AIDS for millions. During the 1997–1998 financial crisis, many government leaders in Southeast Asia decried *currency speculation* as the worst kind of corruption.

Finally, please recall the 2003 homogenization of Barbie described at the beginning of the chapter. Here’s what we predicted in a previous edition of this text: “And then there is *Barbie* having great fun in Japan these days. We hope the love affair lasts, but we are not confident it will. The article does describe the extensive marketing research Mattel did with kids. But there is no mention made about marketing research with their parents.⁴⁴ We guarantee that selling a big-busted, blonde doll to their daughters will be viewed as a kind of corruption by some Asian parents, and perhaps governmental officials as well. Particularly, if America is perceived as pursuing military and economic hegemony, a strong reaction against symbols of America will follow. Watch out Barbie, GI Joe, and your other toy store friends.”

Our criticism of Mattel then was on the mark in three ways. First, sales of Barbie declined worldwide after the global standardization. Second, parents and governments did react. Most scandalous was the Saudi Arabian Barbie ban, underscored on the Web site of the Saudi Committee for the Propagation of Virtue and Prevention of Vice: “Jewish Barbie dolls, with their revealing clothes and shameful postures, accessories and tools are symbols of decadence of the perverted West. Let us beware of her dangers and be careful.”⁴⁵ Third, Mattel’s strategy boosted the sales of its competitors, MGA Entertainment, Inc.’s, multi-ethnic Bratz, Razanne, and, in the Arabian Gulf states, Fulla. Razanne and Fulla were both designed with Muslim girls and Muslim parents in mind. Fulla has waist-length black hair

⁴⁴Lisa Bannon and Carltta Vitzthum, “One-Toy-Fits-All,” *The Wall Street Journal*, April 29, 2003, p. A1.

⁴⁵“Saudis Bust Barbie’s ‘Dangers,’” *CBS News*, September 10, 2003.

HOME-GROWN BUSINESS?

As the global economy slowed and China's exports slumped, Beijing cut sales taxes on car and real-estate purchases in certain situations, in hopes of revving up its own consumer engine. At right, a man and woman took a break outside a shop selling Barbie dolls in October. Apparently blonde Barbie doesn't appear to corrupt kids in China!



with red streaks, a round face with big brown eyes, a tan, a flatter chest than Barbie, and clothes that conceal her elbows and knees. We will again touch on this topic as it pertains to marketing research in Chapter 8. But for now, we switch from Barbie to bribery, another kind of corruption.

The Western Focus on Bribery

Before the Enron, WorldCom, and Madoff scandals, to most Americans, the word corruption meant bribery. Now in the domestic context, fraud has moved to the more prominent spot in the headlines.⁴⁶ But high-profile foreign cases of bribery, such as those involving the German giant Siemens and the execution of China's top food and drug official for accepting bribes, underscore the ethical and legal complexities of international business. During the 1970s, for U.S. companies engaged in international markets, bribery became a national issue with public disclosure of political payoffs to foreign recipients by U.S. firms. At the time, the United States had no laws against paying bribes in foreign countries. But for publicly held corporations, the Securities and Exchange Commission's (SEC) rules required accurate public reporting of all expenditures. Because the payoffs were not properly disclosed, many executives were faced with charges of violating SEC regulations.

The issue took on proportions greater than that of nondisclosure because it focused national attention on the basic question of ethics. The business community's defense was that payoffs were a way of life throughout the world: If you didn't pay bribes, you didn't do business. The decision to pay a bribe creates a major conflict between what is ethical and proper and what appears to be profitable and sometimes necessary for business. Many global competitors perceive payoffs as a necessary means to accomplish business goals. A major complaint of U.S. businesses was that other countries did not have legislation as restrictive as does the United States. The U.S. advocacy of global antibribery laws has led to a series of accords by the member nations of the Organization for Economic Cooperation and Development (OECD), the Organization of American States (OAS), and the United Nations Convention against Corruption (UNCAC). Long considered almost a way of business life, bribery and other forms of corruption are now being increasingly criminalized.

Leaders around the world realize that democracy depends on the confidence the people have in the integrity of their government and that corruption undermines economic liberalization. The actions of the OAS, OECD, and UNCAC will obligate a majority of the world's trading nations to maintain a higher standard of ethical behavior than has existed before.

⁴⁶Robert J. Rhee, "The Madoff Scandal, Market Regulatory Failure and the Business Education of Lawyers," *Journal of Corporation Law* 35, no. 2 (2010), pp. 363–92.

Exhibit 5.5

Transparency International Corruption Perception Index

Higher numbers correspond to a lower prevalence of bribe taking. The top 25 and bottom 25 are shown; see <http://www.transparency.org> for the most complete and up-to-date listings.

Rank	Country	CPI Score	Rank	Country	CPI Score
1	New Zealand	9.4	154	Paraguay	2.1
2	Denmark	9.3	154	Yemen	2.1
3	Singapore	9.2	158	Cambodia	2.0
3	Sweden	9.2	158	Central African Republic	2.0
5	Switzerland	9.0	158	Laos	2.0
6	Finland	8.9	158	Tajikistan	2.0
6	Netherlands	8.9	162	Angola	1.9
8	Australia	8.7	162	Congo Brazzaville	1.9
8	Canada	8.7	162	Democratic Republic of Congo	1.9
8	Iceland	8.7	162	Guinea-Bissau	1.9
11	Norway	8.6	162	Kyrgyzstan	1.9
12	Hong Kong	8.2	168	Burundi	1.8
12	Luxembourg	8.2	168	Equatorial Guinea	1.8
14	Germany	8.0	168	Guinea	1.8
14	Ireland	8.0	168	Iran	1.8
16	Austria	7.9	168	Haiti	1.8
17	Japan	7.7	168	Turkmenistan	1.8
17	United Kingdom	7.7	174	Uzbekistan	1.7
19	USA	7.5	175	Chad	1.6
20	Barbados	7.4	176	Iraq	1.5
21	Belgium	7.1	176	Sudan	1.5
22	Qatar	7.0	178	Myanmar	1.4
22	St. Lucia	7.0	179	Afghanistan	1.3
24	France	6.9	180	Somalia	1.1
25	Chile	6.7			

Source: Corruption Perceptions Index 2009. Used by permission of Transparency International. The most recent updated Index is available at <http://www.transparency.org>.

An international organization called Transparency International (TI)⁴⁷ is dedicated to “curbing corruption through international and national coalitions encouraging governments to establish and implement effective laws, policies and anti-corruption programs.” The brand name “Transparency International” has proven most insightful, as more scholars are finding a clear relationship between the availability of information and lower levels of corruption.⁴⁸ Among its various activities, TI conducts an international survey of businesspeople, political analysts, and the general public to determine their perceptions of corruption in 180 countries. In the Corruption Perception Index (CPI), shown in part in Exhibit 5.5, New Zealand, with scores of 9.4 out of a maximum of 10, was perceived to be the least corrupt, and Somalia, with scores of 1.1, as the most corrupt. TI also ranks 22 bribe-paying countries, and the ranking is reported in Exhibit 5.6 in its entirety. TI is very emphatic that its intent is not to expose villains and cast blame but to raise public awareness that will lead to constructive action. As one would expect, those countries receiving low scores are not pleased; however, the effect has been to raise public ire and debates in parliaments around the world—exactly the goal of TI.

The most notable datum in TI’s CPI scores is Japan’s speedy ascendance in the last decade from a score of 5.8 in 1998 to 7.7 in 2009. As a point of comparison, the United

⁴⁷<http://www.transparency.org>.

⁴⁸Cassandra E. DiRienzo, Jayoti Das, Kathryn T. Cort, and John Burbridge Jr., “Corruption and the Role of Information,” *Journal of International Business Studies* 38 (2007), pp. 320–32.

Exhibit 5.6Transparency International
Bribe Payers Index*

Higher scores correspond to lower levels of bribe paying internationally.

Source: Reprinted from Bribe Payers Index. Copyright © 2009, Transparency International: the global coalition against corruption. Used with permission. For more information, visit <http://www.transparency.org>.

Rank	Country	2008
1	Belgium	8.8
1	Canada	8.8
3	Netherlands	8.7
3	Switzerland	8.7
5	Germany	8.6
5	Japan	8.6
5	United Kingdom	8.6
8	Australia	8.5
9	France	8.1
9	Singapore	8.1
9	USA	8.1
12	Spain	7.9
13	Hong Kong	7.6
14	South Africa	7.5
14	South Korea	7.5
14	Taiwan	7.5
17	Brazil	7.4
17	Italy	7.4
19	India	6.8
20	Mexico	6.6
21	China	6.5
22	Russia	5.9

*Based on responses to questions such as: In the business sectors with which you are most familiar, please indicate how likely companies from the following countries are to pay or offer bribes to win or retain business in this country (respondent's country of residence).

States has stayed the same in the rankings over the same time period at 7.5. No large, affluent country has moved up the rankings this fast. Now, at least according to TI, America is more corrupt than Japan! Although the difference between the two major exporters is perhaps insignificant, the numbers fly in the face of older Americans' criticisms of Japan as "corrupt."

Indeed, Japan's successes in reducing corruption in its business system are all the more remarkable because of its relationship-oriented culture, which would be predicted by many to favor bribery. Finally, the critics are strangely mute regarding the influence of outside pressure, in the form of the aforementioned OECD antibribery convention, which Japan joined in 1999 (the United States also joined the OECD convention in 1999). Long-time observers argue that major changes within Japan often result from such outside influences. Thus, the years 1999–2001 appear to represent the key turning point in Japan's fight against corruption.

Transparency International's CPI is also proving useful in academic studies of the causes and consequences of bribery. Completely consistent with our discussion of the origins and elements of culture in Chapter 4 (see Exhibit 4.4), higher levels of bribery have been found in low-income nations and nations with a communist past, both aspects of the political economy. Additionally, higher levels of bribery have been found in collectivistic (IDV) and high power distance (PDI) countries. Moreover, higher levels of bribery and legal constraints such as the Foreign Corrupt Practices Act have deterred firms' participation in such countries.⁴⁹ Firms seem generally to eschew investments in corrupt countries as well.⁵⁰

⁴⁹H. Rika Houston and John L. Graham, "Culture and Corruption in International Markets: Implications for Policy Makers and Managers," *Consumption, Markets, and Culture* 4, no. 3 (2000), pp. 315–40; Jennifer D. Chandler and John L. Graham, "Relationship-Oriented Cultures, Corruption, and International Marketing Success," *Journal of Business Ethics* 92(2) (2010), pp. 251–67.

⁵⁰Utz Weitzel and Sjors Berns, "Cross-Border Takeovers, Corruption, and Related Aspects of Governance," *Journal of International Business Studies* 37 (2006), pp. 786–806; Alvaro Cuervo-Cazurra, "Who Cares about Corruption," *Journal of International Business Studies* 37 (2006), pp. 807–22.

Finally, when executives of multinational firms behave ethically in such countries, they also tend to promote more ethical business behaviors among their host country counterparts.⁵¹

Bribery: Variations on a Theme

Although bribery is a legal issue, it is also important to see bribery in a cultural context to understand different attitudes toward it. Culturally, attitudes about bribery are significantly different among different peoples. Some cultures seem to be more open about taking bribes, whereas others, like the United States, are publicly contemptuous of such practices. But U.S. firms are far from virtuous—we believe the TI “grade” of a C (7.2) to be about right. Regardless of where the line of acceptable conduct is drawn, there is no country where the people consider it proper for those in position of political power to enrich themselves through illicit agreements at the expense of the best interests of the nation. A first step in understanding the culture of bribery is to appreciate the limitless variations that are often grouped under the word *bribery*. The activities under this umbrella term range from extortion through subornation to lubrication.

Bribery and Extortion. The distinction between bribery and extortion depends on whether the activity resulted from an offer or from a demand for payment. Voluntarily offered payment by someone seeking unlawful advantage is **bribery**. For example, it is bribery if an executive of a company offers a government official payment in exchange for the official incorrectly classifying imported goods so the shipment will be taxed at a lower rate than the correct classification would require. However, it is *extortion* if payments are extracted under duress by someone in authority from a person seeking only what he or she is lawfully entitled to. An example of extortion would be a finance minister of a country demanding heavy payments under the threat that a contract for millions of dollars would be voided.

On the surface, extortion may seem to be less morally wrong because the excuse can be made that “if we don’t pay, we don’t get the contract” or “the official (devil) made me do it.” But even if it is not legally wrong, it is morally wrong—and in the United States it is legally wrong.

Lubrication and Subornation. Another variation of bribery is the difference between lubrication and subornation. **Lubrication** involves a relatively small sum of cash, a gift, or a service given to a low-ranking official in a country where such offerings are not prohibited by law. The purpose of such a gift is to facilitate or expedite the normal, lawful performance of a duty by that official. This practice is common in many countries of the world. A small payment made to dock workers to speed up their pace so that unloading a truck takes a few hours rather than all day is an example of lubrication.

Subornation, in contrast, generally involves giving large sums of money—frequently not properly accounted for—designed to entice an official to commit an illegal act on behalf of the one offering the bribe. Lubrication payments accompany requests for a person to do a job more rapidly or more efficiently; subornation is a request for officials to turn their heads, to not do their jobs, or to break the law.

Agent’s Fees. A third type of payment that can appear to be a bribe but may not be is an agent’s fee. When a businessperson is uncertain of a country’s rules and regulations, an agent may be hired to represent the company in that country. For example, an attorney may be hired to file an appeal for a variance in a building code on the basis that the attorney will do a more efficient and thorough job than someone unfamiliar with such procedures. While this practice is often a legal and useful procedure, if a part of that agent’s fee is used to pay bribes, the intermediary’s fees are being used unlawfully. Under U.S. law, an official who knows of an agent’s intention to bribe may risk prosecution and jail time. The Foreign Corrupt Practices Act (FCPA) prohibits U.S. businesses from paying bribes openly or using intermediaries as conduits for a bribe when the U.S. manager knows that part of the

⁵¹Yadong Luo, “Political Behavior, Social Responsibility, and Perceived Corruption: A Structural Perspective,” *Journal of International Business Studies* 37 (2006), pp. 747–66; Chuck C. Y. Kwok and Solomon Tadesse, “The MNC as an Agent of Change for Host-Country Institutions: FDI and Corruption,” *Journal of International Business Studies* 37 (2006), pp. 767–85.

intermediary's payment will be used as a bribe. Attorneys, agents, distributors, and so forth may function simply as conduits for illegal payments. The process is further complicated by legal codes that vary from country to country; what is illegal in one country may be winked at in another and be legal in a third.

The answer to the question of bribery is not an unqualified one. It is easy to generalize about the ethics of political payoffs and other types of payments; it is much more difficult to make the decision to withhold payment of money when the consequences of not making the payment may affect the company's ability to do business profitably or at all. With the variety of ethical standards and levels of morality that exist in different cultures, the dilemma of ethics and pragmatism that faces international business cannot be resolved until the anticorruption accords among the OECD, UN, and OAS members are fully implemented and multinational businesses refuse to pay extortion or offer bribes.

The Foreign Corrupt Practices Act, which prohibits American executives and firms from bribing officials of foreign governments, has had a positive effect. According to the latest Department of Commerce figures, since 1994, American businesses have bowed out of 294 major overseas commercial contracts valued at \$145 billion rather than paying bribes. This information corroborates the academic evidences cited previously. Even though there are numerous reports indicating a definite reduction in U.S. firms paying bribes, the lure of contracts is too strong for some companies. Lockheed Corporation made \$22 million in questionable foreign payments during the 1970s. More recently the company pled guilty to paying \$1.8 million in bribes to a member of the Egyptian national parliament in exchange for lobbying for three air cargo planes worth \$79 million to be sold to the military. Lockheed was caught and fined \$25 million, and cargo plane exports by the company were banned for three years. Lockheed's actions during the 1970s were a major influence on the passing of the FCPA. The company now maintains one of the most comprehensive ethics and legal training programs of any major corporation in the United States.

It would be naive to assume that laws and the resulting penalties alone will put an end to corruption. Change will come only from more ethically and socially responsible decisions by both buyers and sellers and by governments willing to take a stand.

Ethical and Socially Responsible Decisions

Behaving in an ethically and socially responsible way should be the hallmark of every businessperson's behavior, domestic or international. Most of us know innately the socially responsible or ethically correct response to questions about knowingly breaking the law, harming the environment, denying someone his or her rights, taking unfair advantage, or behaving in a manner that would bring bodily harm or damage. Meanwhile, the complex relationships among politics, corruption, and corporate social responsibility are only now beginning to receive attention on the part of scholars and practitioners.⁵² Unfortunately, the difficult issues are not the obvious and simple right-or-wrong ones, and differences in cultural values influence the judgment of managers.⁵³ In many countries, the international marketer faces the dilemma of responding to sundry situations where local law does not exist, where local practices appear to condone a certain behavior, or where a company willing to "do what is necessary" is favored over a company that refuses to engage in certain practices. In short, being socially responsible and ethically correct are not simple tasks for the international marketer.

⁵²Peter Rodriguez, Donald S. Siegel, Amy Hillman, and Lorraine Eden, "Three Lenses on the Multinational Enterprise: Politics, Corruption, and Corporate Social Responsibility," *Journal of International Business Studies* 37 (2006), pp. 733–46.

⁵³David A. Waldman, Mary Sully de Luque, Nathan Washburn, Robert J. House, Bolanle Adetoun, Angel Barrasa, Mariya Bobina, Muzaffer Bodur, Yi-jung Chen, Sukhendu Debbarma, Peter Dorfman, Rosemary R. Dzuwiche, Idil Evcimen, Pingping Fu, Mikhail Grachev, Roberto Gonzalez Duarte, Vipin Gupta, Deanne N. Den Hartog, Annebel H.B. de Hoogh, Jon Howell, Kuen-yung Jone, Hayat Kabasakal, Edvard Konrad, P. L. Koopman, Rainhart Lang, Cheng-chen Lin, Jun Liu, Boris Martinez, Almarie E. Munley, Nancy Papalexandris, T. K. Peng, Leonel Prieto, Narda Quigley, James Rajasekar, Francisco Gil Rodriguez, Johannes Steyrer, Betania Tanure, Henk Theiry, V. M. Thomas, Peter T. van den Berg, and Celeste P. M. Wilderom, "Cultural Leadership Predictors of Corporate Social Responsibility Values of Top Management: A GLOBE Study of 15 Countries," *Journal of International Business Studies* 37 (2006), pp. 823–37.

In normal business operations, difficulties arise in making decisions, establishing policies, and engaging in business operations in five broad areas: (1) employment practices and policies, (2) consumer protection, (3) environmental protection, (4) political payments and involvement in political affairs of the country, and (5) basic human rights and fundamental freedoms. In many countries, laws may help define the borders of minimum ethical or social responsibility, but the law is only the floor above which one's social and personal morality is tested. The statement that "there is no controlling legal authority" may mean that the behavior is not illegal, but it does not mean that the behavior is morally correct or ethical. Ethical business conduct should normally exist at a level well above the minimum required by law or the "controlling legal authority." In fact, laws are the markers of past behavior that society has deemed unethical or socially irresponsible.

Perhaps the best guides to good business ethics are the examples set by ethical business leaders. However, three ethical principles also provide a framework to help the marketer distinguish between right and wrong, determine what ought to be done, and properly justify his or her actions. Simply stated, they are as follows:

- **Utilitarian ethics.** Does the action optimize the "common good" or benefits of all constituencies? And who are the pertinent constituencies?
- **Rights of the parties.** Does the action respect the rights of the individuals involved?
- **Justice or fairness.** Does the action respect the canons of justice or fairness to all parties involved?

Answers to these questions can help the marketer ascertain the degree to which decisions are beneficial or harmful and right or wrong and whether the consequences of actions are ethical or socially responsible. Perhaps the best framework to work within is defined by asking: Is it legal? Is it right? Can it withstand disclosure to stockholders, to company officials, to the public?

Although the United States has clearly led the campaign against international bribery, European firms and institutions are apparently putting more effort and money into the promotion of what they are calling "corporate social responsibility." For example, the watchdog group CSR (Corporate Social Responsibility) Europe, in cooperation with INSEAD (the European Institute of Administrative Affairs) business school outside Paris, is studying the relationship between investment attractiveness and positive corporate behaviors on several dimensions. Their studies find a strong link between firms' social responsibility and European institutional investors' choices for equity investments.⁵⁴ All this is not to say that European firms do not still have their own corporate misbehaviors. However, we expect more efforts in the future to focus on measuring and monitoring corporate social responsibility around the world.

Finally, we mention three notable examples of corruption fighting, ranging across the levels of government, corporate, and individual initiatives. First, the government of Norway is investing its vast oil profits in only ethical companies; it recently withdrew funds from companies such as Walmart, Boeing, and Lockheed Martin, in line with its ethical criteria.⁵⁵ Second, Alan Boekmann, CEO of the global construction company Fluor Corp., is fed up with the corruption in his own business. He, along with colleagues at competitor firms, has called for a program of outside auditors to determine the effectiveness firms' antibribery programs.⁵⁶ Third, in 2001, Alexandra Wrage founded Trace International, an Annapolis, Maryland, nonprofit that provides corruption reports about potential foreign clients and training for executives involved in business in difficult areas.⁵⁷ We laud all such efforts.

⁵⁴See <http://www.csreurope.org>.

⁵⁵Mark Landler, "Norway Tries to Do Well by Doing Good," *The New York Times*, May 4, 2007, pp. C1, C4.

⁵⁶Katherine Yung, "Fluor Chief in War on Bribery," *Dallas Morning News*, January 21, 2007, pp. 1D, 4D.

⁵⁷Eamon Javers, "Steering Clear of Foreign Snafus," *BusinessWeek*, November 12, 2007, p. 76. Also see <http://www.traceinternational.org>.

Culture's Influence on Strategic Thinking

Perhaps Lester Thurow provided the most articulate description of how culture influences managers' thinking about business strategy.⁵⁸ Others are now examining his ideas in even deeper detail.⁵⁹ Thurow distinguished between the British–American “individualistic” kind of capitalism and the “communitarian” form of capitalism in Japan and Germany. The business systems in the latter two countries are typified by cooperation among government, management, and labor, particularly in Japan. Contrarily, adversarial relationships among labor, management, and government are more the norm in the United Kingdom, and particularly in the United States. We see these cultural differences reflected in Hofstede's results—on the IDV scale, the United States is 91, the United Kingdom is 89, Germany is 67, and Japan is 46.

We also find evidence of these differences in a comparison of the performance of American, German, and Japanese firms.⁶⁰ In the less individualistic cultures, labor and management cooperate—in Germany labor is represented on corporate boards, and in Japan, management takes responsibility for the welfare of the labor force. Because the welfare of the workforce matters more to Japanese and German firms, their sales revenues are more stable over time. American-style layoffs are eschewed. The individualistic American approach to labor–management relations is adversarial—each side takes care of itself. So we see damaging strikes and huge layoffs that result in more volatile performance for American firms. Recent studies are uncovering stability as one of global investors' key criteria.⁶¹

Circa 2000, the American emphasis on competition looked like the best approach, and business practices around the world appeared to be converging on the American model. But it is important to recall that key word in Adam Smith's justification for competition—“frequently.” It's worth repeating here: “By pursuing his own interest he frequently promotes that of society. . . .” Smith wrote *frequently*, not *always*. A competitive, individualistic approach works well in the context of an economic boom. During the late 1990s, American firms dominated Japanese and European ones. The latter seemed stodgy, conservative, and slow in the then-current hot global

⁵⁸Lester Thurow, *Head to Head* (New York: William Morrow, 1992).

⁵⁹Gordon Redding, “The Thick Description and Comparison of Societal Systems of Capitalism,” *Journal of International Business Studies* 36, no. 2 (2005), pp. 123–55; Michael A. Witt and Gordon Redding, “Culture, Meaning, and Institutions: Executive Rationale in Germany and Japan,” *Journal of International Business Studies* 40 (2009), pp. 859–85.

⁶⁰Cathy Anterasian, John L. Graham, and R. Bruce Money, “Are U.S. Managers Superstitious about Market Share?” *Sloan Management Review* 37, no. 4 (1996), pp. 67–77.

⁶¹Vincenziu Covrig, Sie Tin Lau, and Lilian Ng, “Do Domestic and Foreign Fund Managers Have Similar Preferences for Stock Characteristics? A Cross-Country Analysis,” *Journal of International Business Studies* 37 (2006), pp. 407–29; Kate Linebaugh and Jeff Bennett, “Marchionne Upends Chrysler's Ways,” *The Wall Street Journal*, January 12, 2010, pp. B1, B2.

WORK WANTED: Chinese migrant workers advertise their skills while waiting for employers in the Sichuan city of Chengdu on a Monday in 2010. The government expects the total number of migrants looking for jobs this year to reach at least 25 million.





After two decades of stagnation in Japan, the social contract of lifetime employment is softening. This change is reflected in more frequent corporate layoffs, frustrating job searches, and “tent villages” in public places such as Ueno Park in Tokyo. But even at their worst point in history, Japanese jobless are just a trickle compared with the torrent of pink slips and homeless folks when the American economy heads south.

Synthesis: Relationship-Oriented vs. Information-Oriented Cultures

LO5

The differences between relationship-oriented and information-oriented cultures

With increasing frequency, studies note a strong relationship between Hall’s high-/low-context and Hofstede’s Individualism/Collective and Power Distance indices. For example, low-context American culture scores relatively low on power distance and high on individualism, whereas high-context Arab cultures score high on power distance and low on individualism. This result is not at all surprising, given that Hofstede⁶⁶ leans heavily on Hall’s ideas in developing and labeling the dimensions of culture revealed via his huge database. Indeed, the three dimensions—high/low context, IDV, and PDI—are correlated above the $r = 0.6$ level, suggesting all three dimensions are largely measuring the same thing.⁶⁷ Likewise, when we compare linguistic distance (to English) and Transparency International’s Corruption Perception Index to the other three, we see similar levels of correlations among all five dimensions. And while metrics for other dimensions of business culture do not yet exist, a pattern appears to be evident (see Exhibit 5.7).

The pattern displayed is not definitive, only suggestive. Not every culture fits every dimension of culture in a precise way. However, the synthesis is useful in many ways. Primarily, it gives us a simple yet logical way to think about many of the cultural differences described in Chapters 4 and 5. For example, American culture is low context, individualistic (IDV), low power distance (PDI), obviously close to English, monochronic time-oriented, linguistically direct, and foreground focused,⁶⁸ and it achieves efficiency through competition; therefore, it

information economy. However, downturns in a competitive culture can be ugly things. For example, the instability and layoffs at Boeing during the commercial aircraft busts of the late 1990s and early 2000s have been damaging not only to employees and their local communities, but also to shareholders. And during the dramatic economic downturn in 2008–2009, Asian firms tended to eschew layoffs, compared with their American counterparts,⁶² and even rejected the U.S. as the benchmark for best management practices.⁶³ It should also be mentioned that Thurow and others writing in this area omitted a fourth kind of capitalism—that common in Chinese cultures.⁶⁴ Its distinguishing characteristics are a more entrepreneurial approach and an emphasis on *guanxi* (one’s network of personal connections)⁶⁵ as the coordinating principle among firms. This fourth kind of capitalism is also predicted by culture. Chinese cultures are high on PDI and low on IDV, and the strong reciprocity implied by the notion of *guanxi* fits the data well.

⁶²Evan Ramsatd, “Koreans Take Pay Cuts to Stop Layoffs,” *The Wall Street Journal*, March 3, 2009, online.

⁶³“China Rethinks the American Way,” *BusinessWeek*, June 15, 2009, p. 32.

⁶⁴Don Y. Lee and Philip L. Dawes, “Guanxi, Trust, and Long-Term Orientation in Chinese Business Markets,” *Journal of International Marketing* 13, no. 2 (2005), pp. 28–56; Flora Gu, Kineta Hung, and David K. Tse, “When Does Guanxi Matter? Issues of Capitalization and Its Darkside,” *Journal of Marketing* 72, no. 4 (2008), pp. 12–28; Roy Y. J. Chua, Michael W. Morris, and Paul Ingram, “Guanxi vs. Networking: Distinctive Configurations of Affect- and Cognition-Based Trust in the Networks of Chinese vs. American Managers,” *Journal of International Business Studies* 40, no. 3 (2009), pp. 490–508.

⁶⁵Mark Lam and John L. Graham, *Doing Business in the New China, The World’s Most Dynamic Market* (New York: McGraw-Hill, 2007).

⁶⁶Hofstede, *Culture’s Consequences*.

⁶⁷This continuum has also been labeled “social context salience” by H. Rika Houston and John L. Graham, “Culture and Corruption in International Markets: Implications for Policy Makers and Managers,” *Consumption, Markets, and Culture* 4, no. 3 (2000), pp. 315–40.

⁶⁸Richard E. Nisbett, *The Geography of Thought* (New York: The Free Press, 2003).

Exhibit 5.7

Dimensions of Culture: A Synthesis

Information-Oriented (IO)	Relationship-Oriented (RO)
Low context	High context
Individualism	Collectivism
Low power distance	High power distance (including gender)
Bribery less common	Bribery more common*
Low distance from English	High distance from English
Linguistic directness	Linguistic indirectness
Monochronic time	Polychronic time
Internet	Face-to-face
Foreground	Background
Competition	Reduce transaction costs

*We note that Singapore, Hong Kong, Japan, and Chile do not fit all the rules here. Most would agree that all four are relationship-oriented cultures.

is categorized hereafter in this book as an *information-oriented culture*. Alternatively, Japanese culture is high context, collectivistic, high power distance, far from English, polychronic (in part), linguistically indirect, and background focused, and it achieves efficiency through reduction of transaction costs; therefore, it is properly categorized as a *relationship-oriented culture*. All these traits are so even though both the United States and Japan are high-income democracies. Both cultures do achieve efficiency but through different emphases. The American business system uses competition, whereas the Japanese depend more on reducing transaction costs.

The most managerially useful aspect of this synthesis of cultural differences is that it allows us to make predictions about unfamiliar cultures. Reference to the three metrics available gives us some clues about how consumers and/or business partners will behave and think. Hofstede has provided scores for 78 countries and regions, and we have included them in the appendix to this chapter. Find a country on his lists, and you have some information about that market and/or person. One might expect Trinidad to be an information-oriented culture and Russia a relationship-oriented culture, and so on. Moreover, measures of linguistic distance (any language can be used as the focal one, not just English) are available for every country and, indeed, every person. Thus, we would expect that someone who speaks Javanese as a first language to be relationship oriented.

In closing, we are quite encouraged by the publication of the important book *Culture Matters*.⁶⁹ We obviously agree with the sentiment of the title and hope that the book will help rekindle the interest in culture's pervasive influences that Max Weber and others initiated so long ago.

⁶⁹Lawrence I. Harrison and Samuel P. Huntington (eds.), *Culture Matters* (New York: Basic Books, 2000).

Summary

Management styles differ around the world. Some cultures appear to emphasize the importance of information and competition, while others focus more on relationships and transaction cost reductions. However, there are no simple answers, and the only safe generalization is that businesspersons working in another country must be sensitive to the business environment and must be willing to adapt when necessary. Unfortunately, to know when such adaptation is necessary is not always easy; in some instances adaptation is optional, whereas in others, it is actually undesirable. Understanding the culture you are entering is the only sound basis for planning.

Business behavior is derived in large part from the basic cultural environment in which the business operates and, as such, is subject to the extreme diversity encountered among various cultures and

subcultures. Environmental considerations significantly affect the attitudes, behavior, and outlook of foreign businesspeople. Motivational patterns of such businesspeople depend in part on their personal backgrounds, their business positions, their sources of authority, and their own personalities.

Varying motivational patterns inevitably affect methods of doing business in different countries. Marketers in some countries thrive on competition; in others, they do everything possible to eliminate it. The authoritarian, centralized decision-making orientation in some nations contrasts sharply with democratic decentralization in others. International variation characterizes contact level, ethical orientation, negotiation outlook, and nearly every part of doing business. The foreign marketer can take no aspect of business behavior for granted.

The new breed of international businessperson that has emerged in recent years appears to have a heightened sensitivity to cultural variations. Sensitivity, however, is not enough; the international trader must be constantly alert and prepared to adapt when necessary. One must

always realize that, no matter how long in a country, the outsider is not a local; in many countries, that person may always be treated as an outsider. Finally, one must avoid the critical mistake of assuming that knowledge of one culture will provide acceptability in another.

Key Terms

Cultural imperative
Cultural elective
Cultural exclusive

Silent languages
M-time
P-time

Bribery
Lubrication
Subornation

Principle of utilitarian ethics
Principle of justice
or fairness

Questions

- Define the key terms listed above.
- “More than tolerance of an alien culture is required; there is a need for affirmative acceptance of the concept ‘different but equal.’” Elaborate.
- “We should also bear in mind that in today’s business-oriented world economy, the cultures themselves are being significantly affected by business activities and business practices.” Comment.
- “In dealing with foreign businesses, the marketer must be particularly aware of the varying objectives and aspirations of management.” Explain.
- Suggest ways in which persons might prepare themselves to handle unique business customs that may be encountered in a trip abroad.
- Business customs and national customs are closely interrelated. In which ways would one expect the two areas to coincide, and in which ways would they show differences? How could such areas of similarity and difference be identified?
- Identify both local and foreign examples of cultural imperatives, electives, and exclusives. Be prepared to explain why each example fits into the category you have selected.
- Contrast the authority roles of top management in different societies. How do the different views of authority affect marketing activities?
- Do the same for aspirational patterns.
- What effects on business customs might be anticipated from the recent rapid increases in the level of international business activity?
- Interview some foreign students to determine the types of cultural shock they encountered when they first came to your country.
- Differentiate between:
 - Private ownership and family ownership
 - Decentralized and committee decision making
- In which ways does the size of a customer’s business affect business behavior?
- Compare three decision-making authority patterns in international business.
- Explore the various ways in which business customs can affect the structure of competition.
- Why is it important that the business executive be alert to the significance of differing management styles?
- Suggest some cautions that an individual from a relationship-oriented culture should bear in mind when dealing with someone from an information-oriented culture.
- Political payoffs are a problem. How would you react if you faced the prospect of paying a bribe? What if you knew that by not paying, you would not be able to complete a \$10 million contract?
- Differentiate among the following:
 - bribery
 - extortion
 - lubrication
 - subornation
- Distinguish between P-time and M-time.
- Discuss how a P-time person reacts differently from an M-time person in keeping an appointment.
- What is meant by “laws are the markers of past behavior that society has deemed unethical or socially irresponsible”?
- What are the three ethical principles that provide a framework to help distinguish between right and wrong? Explain.
- Visit Transparency International’s Web site and check to see how the CPI Index for countries listed in Exhibits 5.4 and 5.5 have changed. After searching TI’s databank, explain why the changes have occurred. The site is found at <http://www.transparency.org>.
- Discuss the pros and cons of “there is no controlling legal authority” as a basis for ethical behavior.
- “The *company.com* page is a company’s front door and that doorway should be global in scope.” Discuss. Visit several Web pages of major multinational companies and evaluate their “front door” to the global world.
- Visit the Web sites of Shell and Nike and compare their statements on corporate values. What are the major issues each addresses? Do you think their statements are useful as guides to ethical and socially responsible decision making?
- Go to your favorite Web reference source and access some recent news articles on Nike and alleged human rights violations. Access the Nike statement on corporate values and write a brief statement on the alleged violations and Nike’s statement of corporate values.

Appendix: Index Scores for Countries and Regions

Country	Power Distance	Uncertainty Avoidance	Individualism/Collectivism	Masculinity/Femininity	Long-Term/Short-Term Orientation	Primary Language	Distance from English
Argentina	49	86	46	56		Spanish	3
Australia total	36	51	90	61	31	English	0
Aborigines	80	128	89	22	10	Australian	7
Austria	11	70	55	79	31	German	1
Bangladesh	80	60	20	55	40	Bengali	3
Belgium total	65	94	75	54	38	Dutch	1
Dutch speakers	61	97	78	43		Dutch	1
French speakers	67	93	72	60		French	3
Brazil	69	76	38	49	65	Portuguese	3
Bulgaria	70	85	30	40		Bulgarian	3
Canada total	39	48	80	52	23	English	0
French speakers	54	60	73	45	30	French	3
Chile	63	86	23	28		Spanish	3
China	80	30	20	66	118	Mandarin	6
Colombia	67	80	13	64		Spanish	3
Costa Rica	35	86	15	21		Spanish	3
Czech Republic	57	74	58	57	13	Czech	3
Denmark	18	23	74	16	46	Danish	1
Ecuador	78	67	8	63		Spanish	3
Estonia	40	60	60	30		Estonian	4
Finland	33	59	63	26	41	Finnish	4
France	68	86	71	43	39	French	3
Germany	35	65	67	66	31	German	1
Great Britain	35	35	89	66	25	English	0
Greece	60	112	35	57		Greek	3
Guatemala	95	101	6	37		Spanish	3
Hong Kong	68	29	25	57	96	Cantonese	6
Hungary	46	82	80	88	50	Hungarian	4
India	77	40	48	56	61	Dravidian	3
Indonesia	78	48	14	46		Bahasa	7
Iran	58	59	41	43		Farsi	3
Ireland	28	35	70	68	43	English	0
Israel	13	81	54	47		Hebrew	5
Italy	50	75	76	70	34	Italian	3
Jamaica	45	13	39	68		English	0
Japan	54	92	46	95	80	Japanese	4
Korea (South)	60	85	18	39	75	Korean	4
Luxembourg	40	70	60	50		Luxembourgish	1
Malaysia	104	36	26	50		Malay	7

Malta	56	96	59	47		Maltese	5
Mexico	81	82	30	69		Spanish	3
Morocco	70	68	46	53		Arabic	5
Netherlands	38	53	80	14	44	Dutch	1
New Zealand	22	49	79	58	30	English	0
Norway	31	50	69	8	44	Norwegian	1
Pakistan	55	70	14	50	0	Urdu	3
Panama	95	86	11	44		Spanish	3
Peru	64	87	16	42		Spanish	3
Philippines	94	44	32	64	19	Tagalog	7
Poland	68	93	60	64	32	Polish	3
Portugal	63	104	27	31	30	Portuguese	3
Romania	90	90	30	42		Romanian	3
Russia	93	95	39	36		Russian	3
Salvador	66	94	19	40		Spanish	3
Singapore	74	8	20	48	48	Mandarin	6
Slovakia	104	51	52	110	38	Slovak	3
South Africa	49	49	65	63		Afrikaans	1
Spain	57	86	51	42	19	Spanish	3
Surinam	85	92	47	37		Dutch	1
Sweden	31	29	71	5	33	Swedish	1
Switzerland total	34	58	68	70	40	German	1
German speakers	26	56	69	72		German	1
French speakers	70	70	64	58		French	3
Taiwan	58	69	17	45	87	Taiwanese	6
Thailand	64	64	20	34	56	Thai	7
Trinidad	47	55	16	58		English	0
Turkey	66	85	37	45		Turkish	4
United States	40	46	91	62	29	English	0
Uruguay	61	100	36	38		Spanish	3
Venezuela	81	76	12	73		Spanish	3
Vietnam	70	30	20	40	80	Vietnamese	7
Yugoslavia total	76	88	27	21		Serbo-Croatian	3
Croatia (Zagreb)	73	80	33	40		Serbo-Croatian	3
Serbia (Beograd)	86	92	25	43		Serbo-Croatian	3
Slovenia (Ljubljana)	71	88	27	19		Slovene	3
Regions							
Arab countries	80	68	38	53		Arabic	5
East Africa	64	52	27	41	25		8
West Africa	77	54	20	46	16		8

Source: Geert Hofstede, *Culture's Consequences*, 2nd ed. (Thousand Oaks, CA: Sage, 2001).