THE EFFECT OF CULTURE ON INTERNATIONAL BUSINESS

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ABSTRACT

The purpose of this paper was to determine how culture affects International Business using all different elements of culture. There are many things like culture, economy, politics etc. that impact the working of International Business in today’s world. When the two aspects of human society, culture and business, interact with each other, it leads to the development of interesting conditions or scenarios. When different cultures converge at a common point with business as the platform, the clashes are bound to take place. But most importantly, such a scenario helps us adapt to challenging situations.

Different communities or countries in the world follow different mannerisms and etiquette. The way or view to see a problem might change from country to country, across the globe. The international business culture, as a whole, is a congregation of various business practices, cultural influences and the thought processes followed in different nations.

The marketing executives sent for international assignments, are bound to face problems in dealing with the corporate cultures of that particular country. Understanding a foreign market and formulating company policies to cater to the need of international clients is a challenging job. Skilled professionals possessing the quality called ‘empathy’ are able to deliver the goods in such cases.

With today’s business entering a ‘globalized’ world, the interaction between different cultures is bound to happen. Merely learning different languages won’t be enough. It is necessary for corporate houses to understand the social conditions of different countries, to successfully tap the respective markets. Being sensitive to the values and beliefs of different cultures of the world is necessary.

International businesses are not only a way of making profits by the exploitation of international talent, but also a bridge between different nations of the world. Tomorrow’s world will rely more on a symbiotic relationship between international businesses and cultures as a whole.
CHAPTER ONE

1. Introduction

International Business is simply doing business across borders, that is, moving merchandise that a business person wants to market to another country for the sole purpose of making a profit. It involves establishing new markets in foreign countries and thus expanding the business.

In moving to a new country or simply crossing the border to your neighbors’ country, the business person is looking for new markets and new challenges, whatever country one will venture for business, challenges are part of the move because new encounters are not only markets but the total sum of everything to be found there. This includes the people, the government and its laws and politics, the country’s economy as well as the infrastructure. Particularly of significant is the foreign way of life and therefore a completely new reality.

Hence the purpose of this paper is to offer a critical analysis of the effects of culture on international business. Culture is the sum total of all that is to be found as a people’s way of life in wherever country or region one might venture. It is the people’s language both verbal and non-verbal, it’s the people’s moral standards and mores, it’s the people’s aesthetics, a people’s religion, education, governmental characteristics and many other hidden elements that can only be understood by living and spending time with the people.

Manners and customs are an important element of culture and for business men and women, it is mandatory to start learning other people’s customs before initial contact is made. Language, laws and politics of a country you want to do business with, government or the type of government in the new country is also mandatory to learn for the business class.

Culture affects everything in the life of a people and since you need them as your market and, as consumers, then they are the most important part of the new environment. It then becomes mandatory to get to know their ways and behaviors in order to overcome many obstacles that a business person will have to experience in doing business and setting up in a new country.

Culture involves the way a people think and reason, it involves a people’s philosophy of life, the people’s do’s and don’ts’, taste and styles. It is the cog that everything is anchored to, thrives and gets a life. Thus making it important to carry out research on the effect of culture on businesses’ because if this is done more often, the insights will build and foster relationships that are significant investments for the future.

This library research paper then, on the effects of culture in international business, has to do with different aspects of culture, an attempt to demonstrate how different societies interact and behave while conducting business will serve to illustrate the strength and depth of a culture.
CHAPTER TWO

2. Literature Review

The definition of culture is not one, two or three but a multiplicity of definitions and explanations and each one, can be termed relevant and true but not enough to cover all cultural factors that will be acceptable to all geographical regions or to all countries.

Most anthropologists view culture as the sum total of the beliefs, rules, techniques, institutions and artifacts that characterize human populations (Ball & McCulloch, 1999).

According to Geert Hofstede, culture is a collective mental programming. So the import of a national culture is a propensity on the part of the citizens of particular countries to believe certain things, think in certain ways and to behave in ways consistent with these thoughts and beliefs. The national mental program which may be revealed by a study is an average of the citizens’ convictions and behavior and there is nothing absolute about it (Woods, 1995).

Culture consists of the learned patterns of behavior common to the members of a given society, the unique attributes of a group of people. Most anthropologists also agree on the following (Ball & McCulloch, 1999):

- Culture is learned, not innate
- The various aspects of culture are interrelated
- Culture is shared
- Culture defines the boundaries of different groups

One of the most recognized of cross-cultural studies was carried out in 1980 by Professor Geert Hofstede. He derived three dimensions in terms of which national cultures may be compared and understood and these are as follows (Hofstede, 1983):

1. Individualism versus collectivism – In an individualist national culture, people concentrate on looking after themselves and their close family, whereas in the collectivist culture, people have broader and more diffuse commitments to an extended family, clan or tribe e.g. developing nations, Greece and Portugal.

2. Power distance – this is the degree of tolerance for differences in power in given national cultures. In the context of formal organizations, high power distance or a high tolerance for differences in power means in practice acceptance of strong leaders and of centralization. Examples include Belgium, France, Spain and South Africa.

3. Uncertainty avoidance – this derives from the fact that the future is by definition unknowable. This therefore, engenders some uncertainty, even anxiety. On this dimension the countries do not
divide at all well in relation to wealth or economic development. The two countries with the weakest uncertainty avoidance are Singapore and Jamaica. While the next two are Denmark and Sweden and finally, the two countries with the strongest uncertainty avoidance are Greece and Portugal.

4. Masculinity versus femininity – this is Hofstede’s fourth cultural dimension and it points out the differences between men and women and how these differences differ from society to society. In certain societies such as Japan, masculinity is very high while in countries such as Great Britain and United States of America, masculinity is very low.
According to Margaret Woods, countries that Hofstede designates as ‘masculine’ are the ones which maximize the sex-role differences, and are ones in which ‘tough’ values predominate – performance, achievement, making money, showing off, glorifying power, success etc.

The ones designates ‘feminine’ are those where the dominant values, for men and for women, are those traditionally associated with the female caring role – putting relationships first, care for the small and weak, concern with the quality of life, protection of the environment and a predisposition to the ‘small is beautiful’ view.
CHAPTER THREE

3.1 Management and cultural environments

According to Hofstede’s research management of organizations demonstrated major differences to the position they took in the cultural dimensions, we summarize the managerial cultural relationships of four industrialized countries (Woods, 1995).

United States of America

Key features:

- The orientation of profits and success.
- Americans are ‘go-getters’, they value the drive in management and admire strength.
- Marketing and finance functions are highly valued.
- The practice of democracy in industry such as the habit of consulting the workers is completely discouraged.
- Trade unions are treated with great hostility.
- There is a history of devotion to the managerial way of running the industry.
- Americans are devoted to systems at the work place; operating, control, planning etc.
- Large scale operations and standardization are greatly preferred.
- They control multinational corporations through a system of divisions.

Key values:

- Turning out great profits and attaining success are two of their desired values.
- Conflicts are accepted and managerial systems of dealing with them are established.
- Change and renewal are admired and encouraged. This fascination has led American people being referred to as the ‘disposable’ society.
- They are led with greed.
- They are endowed with the great conviction that all problems can be solved, they thus trust systems in industry to deal with any and all problems.

Strengths:

Americans are by tradition proactive, they take initiative and aim high to win and never give up.

- They are well trained, highly educated and value professions.
- They are led by systems and thus depend and believe in systems to promote efficiency, achieve objectives and aim for acceptance by the organization.
- They have great and successful communication skills. They are not shy and speak with great strength and emphasis. They push hard to be understood.
Weaknesses:

- An emphasis on short term profit motive which at times leads to ignoring long term investments that usually will bear fruits for those with patience and endurance.
- Weakness in primary and high school which have an overemphasis on social integration and personal skills but lag behind in basic learning. U.S.A lags behind internationally in Mathematics and in Science subjects and has high rates of functional illiteracy.

Behavior in meetings:

- Aggressive and direct and open as to what they want, not shy and not very diplomatic.
- In many international gatherings and in many business meetings, Americans come out as arrogant, bullish and abrupt in the way they treat other participants but this criticism does not faze them, they still take control.

To get Americans to do the right thing and to impress them, try the following:-

- Appeal to their self-interest.
- Have lots of money and act with confidence and strength. Americans do not like weaklings, they admire fighters.

Germany

A major trait is that they admire technique, specialism and expertise.

Job recruitment – They look for high credentials and specialists, they are very particular to subjects studied, content of the degree; up to a point of even including optional subjects, nature of training and prior experiences.

Advancement is on the basis of relevant knowledge and experience. It is also very important to demonstrate achievement or what the Germans call Leistung.

Key features:

- Relative status of technical functions.
- Emphasis on an organization’s research and development, engineering and divisionalization.

Values:

- Attachment to specialist knowledge and experience.
- Cult of Leistung.
- Punctuality which is seen to lead to superior delivery and performance.
- Technique

Strengths:
• Just as their culture demands ordinary people to aspire to be superman, their industrial empire is heavy in technology and demand among other characteristics, quality, efficiency in operation, not to mention high quality manufacturing methods, design and production technology.
• They demanded a well-organized and disciplined trade unions. Germany’s culture does not support disruptive and large labor union organizations, legal framework for industrial relations and a system of industrial democracy is the norm rather than the exception.

Weaknesses:
• Failure to develop system-driven companies.
• Reliance on ‘super men’ managers and CEOs.
• They have a military type profession in industry than experience-driven as Americans have.

Meeting behavior:
• Critical and outspoken
• Constructive opposition
• Military type of scheduling – too strong

To impress the Germans so that they do good business with you, impress them with your skills expertise, be philosophical and appeal to their pride which anchored to tuchtig (capable).

United Kingdom

Basic characteristics:
The English are vain and there is a class society, they have not changed much from the time of Queen Victoria, the concept of a ‘gentleman’ and ‘intellectual’ tag kept the upper class from the industry for many centuries. Therefore in dealing with them, take that ‘stiff upper lip’ seriously.

Recruitment and advancement:
They are particular with credentials, personality is also very important not to mention social and political standing.

Key features:
• They are well organized and very careful how they spend and invest their money.
• They are careful borrowers and they rely on sound financial planning before they borrow from banks.

Key values:
• They are a people who value common sense and resemble their cousins, the Americans in dealing with important issues.
• The British have a sense of humor and a sense of history, their past is very important to them and they keep it alive by having many titles, honoraries; the place of the royal family in their lives is key to their unity.

Strength:

The British are realists and they are experts in handling situations, people, relations and managing their superiors in a way that makes the ‘underlings’ feel exceptional and part of the power play.
Weaknesses:

- Fail to recognize the importance of consistency in manufacturing and this leads to poor production.
- Strong trade unions who have brought the country very close to shutting down many times in the past.
- The need for ‘Margaret Thatcher’ type of leadership to keep afloat.

Meeting Behavior:

- Snobbish and vague, their attachment to social and political class leads them to value the meetings’ agenda and who is who in the meeting is central to them in always trying to figure where they stand.
- They avoid conflicts in meetings and are very serious to that old adage ‘don’t rock the boat’.
- The use of humor to control the situation and also to help them relax and take the ‘good’ with the ‘bad’ without ‘letting the cat out of the bag’.

To get the British to do what you want appeal to their ‘historical fairness’, the sense of social duty and cleverly throw one or two good jokes about their great and past empire. The British are difficult to impress but lowering your status combined with making yourself the center of a good palatable joke might do it.

Japan

Basic characteristics molded by their culture:

- Great believers in the role of hierarchy which integrated by solidarity creates unity of purpose.
- To the Japanese, the art of management is a process and not a body of a decision making machine.
- Recruitment is highly competitive from the university to the workplace – with unique induction programs.
- Managers well versed in general knowledge apart from their core area distributed through upward posting and thus enhancing their capabilities and managerial skills.
- Advancement through ability and seniority with major emphasis on seniority. Their system molds cohesive groups and your posting to a certain company is, basically, for life.
- Overachievers and people with extraordinary abilities have to keep everything in check, you cannot be seen showing off because this behavior might lead to isolation.
• Key features of Japanese industry can be seen by the way the government is part of the industrial life. Their companies are conglomerates because, for example a manufacturing company will also handle banking activities, and it will also be handling trading companies’ activities.

• Job mobility is internal and for white collar jobs, for life.

Basic key values in the Japanese society starts with patriotism and loyalty to the company and to the country. Workers are totally committed to appointed tasks and usually work in groups or teams, if a worker is frustrated in the job he/she will most probably accept his/her lot and usually embrace conformity.

Japanese strength can be observed in the role patience plays in their daily lives. They trust their investments will bear fruits in the future. They also believe in technology and they invest heavily in it. Japanese companies are very staple because of ownership intertwinemnt, this is created by the process of companies buying each other’s shares hence take-over bids are kept in check. The Japanese financial system helps create stability in the industry because of the long term financial system.

Management is also staple due to economies of scale as it were, intercompany mobility is largely discouraged and industrial strive is controlled by the universal character of the Japanese people – whereby they respect authority and generally cooperate with the authorities.

There are many other areas where the Japanese industry reaps benefits and thus strengthens their position in the international market such as turning out good products, high quality standards, good job training, efficient organization of production, highly controlled corruption both in the society, work force and the industry, good work force discipline and a workforce that is generally well educated (Woods, 1995).

Weaknesses:

It is hard to pin down where Japan is weak, the people operate like well-oiled pistons. They are highly respected in the international market place where there share of trade is appreciable, they live as a unit which has been capable and able to maintain growth and development. Since the end of the 2nd World War, they gave gone from strength to strength and they have made their presence known around the globe by outsmarting other developed countries in the market place. They have even almost learned to tame nature by the way they follow they handled their Tsunami menace and come out bruised by kicking.
They face lingering worries about Chinas claim to a group of their islands and also, the nightmare of knowing that all the West work day and night to beat their industries and grab some of the market potential but all in all, the Japanese have very little weakness to talk about.

To get the Japanese to do the things you want, follow the old adage, “Can’t beat them, join them.” They are humble and patient people, they also work very hard and are not known to waste time or resources.

3.2. Effect of Culture to International Business through Major Religions

Despite the growth and spread of globalization and its twin brother secularization, religion still plays a role in how business is conducted. Islam, Christianity, Hinduism and all other religions have a great impact on how business is conducted in their areas.

Some like Islam, the code of behavior and business is tied to the basic creed as it is expounded in the Quran. Sharia law forbids Muslims to accept interests. Hinduism emphasizes spiritual accomplishment more than accumulation of material wealth. This state of affairs has played havoc with attempts to establish pure capitalism in India with its international market which run purely for the profit motive.

Hinduism

The Hindus do not eat beef and that means in large parts of India, covering the largest demographic figures, cow meat business cannot be carried out. Hindus believe in a single divinity or Supreme God that exists in everything; they believe in other gods who are aspects of the Supreme God. They believe in incarnation and karma (a force that determines the quality of each life). Hindu temples are the focus of religious life but even though there is a strong tradition of corporate congregational worship most Hindus worship at home.

There is great diversity among countries and regions and among the social classes, the following characteristics should be observed:-

- Most Hindus believe everything in the world is subject to an eternal process of death and rebirth (samsara) and that individual souls (atmans) migrate from one body to another.
- The Hindus believe that one can be liberated from the samsura cycle and achieve that state of eternal bliss or nirvana and this is through yoga, which is the purification of the mid and body. Moreover, to devote worship of the gods and good work, obedience to the law and adherence to customs (dharmas) of one’s caste.

Things to note when doing business with Hindus (Harris & Moran, 1996):

1. The use of leather products including belts or handbags may be considered offensive.
2. The head is considered the seat of the soul. Never touch someone else’s head, not even to pat the hair of a child.
3. Beckoning someone with the palm up and wagging one finger can be construed as an insult. Standing with your hands on your hips will be interpreted as an angry and aggressive posture.
4. Whistling is impolite and winking may be interpreted as either an insult or a sexual proposition.
5. Never point your feet at a person. Feet are considered unclean. If your shoes or feet touch another person, apologize.
6. Gifts are not opened in the presence of the giver. If you receive a wrapped gift, set it aside until the giver leaves.
7. The word “no” has harsh implications in India. Evasive refusals are more common, and are considered more polite. Never directly refuse an invitation, a vague, “I’ll try” is an acceptable refusal.
8. Do not thank your hosts at the end of a meal. “Thank you” is considered a form of payment and therefore insulting.
9. Title are very important. Always use professional titles.

Another cultural element often forgotten is Buddhism. Buddhism goes back 2,500 years ago and it is indigenous to the Indian subcontinent. Its teaching is attributed to Siddhartha Gautama who is commonly known as the Buddha. Buddhism has two branches:

(i) Theravada (The School of Elders)
(ii) Mahayana (The Great Vehicle)

Theravada is to be found in Sri Lanka, Cambodia, Laos, Thailand and Myanmar. Buddhists believe that most people in the world live their lives in a state of slumber, asleep. ‘Buddha’ meaning ‘the awakened one’, brings people to live from this sleep by Gautama’s teachings. He also helps human beings through the suffering, eliminating ignorance and also created by way of understanding and seeing dependent on ‘origination’ and also eliminates craving. It’s advisable to note the following when interacting or doing business with a Buddhist country or region (Harris & Moran, 1996):

1. The color red is considered a lucky color.
2. When dressing for business meetings select a red tie to impress your host.
3. The color white is synonymous with death.
4. The handshake is fairly common, however, a slight bow will show a sign of respect.
5. Silence is held in high regard. Allow your host to contemplate without interruption.
6. Names are usually written in the following order, the last name first, middle name second and the first name last.
7. Use title with names whenever possible.
8. Appointments are recommended.
9. Punctuality is expected.
10. Use only black and white materials for presentations, as colors are very significant.
11. Patience is important.
12. Do not blow your nose at the table or in public.
13. Do not rub your chopstick together before dining. It implies that you have been given poor quality chopsticks that may have splinters.
14. It is impolite to refuse to drink. Even if you do not drink, accept it and toast it with your host.

Islam

Islam is one of the major religions in the world and it differs from other religions in many ways. For a Muslim, the secular life is closely tied to Islam, the religion the Quran is the book of life and all Muslims must at all times conduct themselves according to the teaching of the Quran. There is no deviation in a man’s behavior whether it is doing business or carrying on chores, the words of the Quran are supreme and suppresses everything else in life.

Doing business with Muslims is thus tied to their culture and fully controlled by their religion which is an element of their culture. Islam is practiced in many countries in the world which include the Middle East, Europe, the Americas, Africa and most Asian countries. Therefore, it has a major influence around the globe.

There is sectarianism in Islam and this has led to many wars over the centuries. However, in general, Muslims appear to be close in their adherence to their religion and to the teaching of the Holy Quran; there is total surrender or submission of to one God. Hence business behaviors are guided strictly by Islam and the following factors need observance when doing business with Muslims (Harris & Moran, 1996):

1. Avoid pork and pork products like ham, bacon, pate, hot dogs or sausage.
2. Avoid food prepared with pork products like lard, which can include even pastries.
3. It is a good idea to avoid any pork dishes at a banquet when Muslims are in attendance because the other dishes might be become contaminated in preparation or serving.
4. Don’t serve shellfish like crab or lobster. Fish is an acceptable alternative to meat and shellfish.
5. Some Muslims prefer Zabibah meat which has been slaughtered according to special rules. Zabibah meat is similar to, but not the same as, kosher meat.
6. Do not serve alcohol in the presence of guests, especially government or religious officials, from the more fundamentalist Muslim countries like Saudi Arabia or Kuwait, even if you know the individual may drink in private.
7. Serve fruit juices for toasts when alcoholic beverages cannot be consumed.
8. Avoid food cooked in alcohol, even if all alcohol has been burned off in cooking.
CHAPTER FOUR

4. Findings and Conclusion
The effect of culture on international business is widespread for it involves every aspect of behavior in society. Society and its people are intertwined such that, culture has a direct effect on their behavior and actions. A people’s history, customs, religion, relationships and so many other elements of their lives are molded and authenticated by their culture.

Culture can be a great hindrance to change in the society and the study found its effects on society powerful and long lasting. The paper also found that the strongest element of cultural power is religion. It established that people stay faithful to their religion especially if it is culturally based; for example, the Hindu and other East Asian religions such as Buddhism. Islam, which also has very strong Middle East cultural connections, was also found to be very strong in its hold on the people, spiritually, and in all of their activities through the teachings of the Quran.

In a nutshell, the researcher would like to do a wider study in this area because of its importance in this new global era. It would be greatly beneficial if a researcher would be able to travel in different countries and analyze the many areas that have been raised in this research. Understanding the effect of culture means studying learning the behavior of the people in different countries and regions. It would be a great opener to build global unity by gathering all the relevant data, and, critically putting it under a critical analysis.
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