

# Chapter two

## Managing Across Cultures

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## Chapter Objectives

The specific objectives of this chapter are:

1. **EXAMINE** the strategic dispositions that characterize responses to different cultures. *(One major problem facing MNCs is that they attempt to manage across cultures in ways similar to their home countries.)*
2. **DISCUSS** cross-cultural differences and similarities. *(One major challenge when dealing with cross-cultural problems is that of overcoming parochialism and simplification; Another is doing things in foreign markets in the same ways as they are done in their domestic markets).*
3. **REVIEW** cultural differences in select countries and regions, and note some of the important strategic guidelines for doing business in each. *(Doing business in various parts of the world requires the recognition and understanding of cultural differences).*

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

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## Case: The Arab World Wants its MTV

### Strengths

- Leader in music industry in 1981
- Significant experiences in the market
- Quickly began expanding in the US by launching Sister channel expl. VH1
- MTV had information, tactics and capital to expand into the new market, Globally, locally
- Got license in the entertainment

### Weaknesses

- MTV had controversial Image
- MTV is not independent totally
- Because they are owned by Viacom

### Opportunities

- 190 million people (large population in Arab)
- 65% of population are of target market
- 37 million mobile subscribers

### Challenges

- a lot competitors
- Conflict between Western and Eastern cultures
- Finding the right contents and context, captivate youth
- 50 broacasting channels

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## Opening case:

### Car Culture: Changing Global Trends in the Automotive Industry

1. How has the global automotive industry been reshaped?
2. Which Asian automotive producers have successfully penetrated North American and European markets?
3. Please give some evidences showing the rising power of China and India in the global automotive industry?
4. What conditions have facilitated Chinese and Indian firms' ability and desire to make large acquisition?
5. Why in the past, American and European authorities were hesitant to encourage acquisition by Chinese and Indian firms?
6. What are cultural challenges in acquisition by Chinese and Indian firms? Give some evidences to illustrate your arguments.
7. What are advantages of acquisition over "greenfield" investment in terms of cultural challenges?
8. What do the changes in the global automotive industry provide implications for international management?

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## Opening case:

### Car Culture: Changing Global Trends in the Automotive Industry

#### Global Trends Take Shape

**T**he competitive landscape of the global automotive industry has been reshaped as the balance of power has begun to shift from North America and Europe to Korea, China, and India. According to Moody's Investors Service, more vehicles were sold in China than in the U.S. in 2009 (12,960,000 in China versus 10,411,000 in the U.S.). Moody's anticipates "the Chinese light vehicle market to remain on a growth path for the next two years with demand rising 10 percent each year driven by accelerating GDP growth and the still-low level of auto ownership." In contrast, Moody's reports that "U.S. light vehicle sales have fallen 40 percent from their peak of 17.5 million in 2005" and predicts European demand to decline by 15 percent in 2010, with German auto sales dropping by 30 percent. For the first half of 2009, General Motors Corp. sold more cars in China (1.2 million) than in the United States (1.08 million). Sales in China were up more than 48.5 percent over the same period in 2008.

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

Following the success of Japanese producers in penetrating North American and European markets, Korean producers—notably Hyundai and Kia—have recently had great success in these regions. Indeed, Hyundai was one of the few producers to experience consistent sales growth in the United States throughout the recession, with sales in June of 2010 of 51,205 cars and light trucks, an all-time record for the firm. Hyundai-Kia successfully managed to overtake Honda Motor in 2008 as the world's 5th largest automaker, climbing eight rankings in less than a decade, and in 2009 it surpassed Ford Motor as the world's 4th largest automaker.

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

- **Global Trends Take Shape**
  - The competitive landscape of the global automotive industry has been reshaped as the balance of power has begun to shift from North America and Europe to Korea, China and India.
  - Following Japanese producers' success in penetrating North American and European markets, Korean producers (Hyundai and Kia) have had great success in these regions. (growing sales in U.S.; Hyundai – Kia overtook Honda Motor in 2008 – the world 5<sup>th</sup> largest automaker; surpassed Ford Motors in 2009 becoming 4<sup>th</sup> largest automakers.

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

Top 10 Automotive (Cars and Trucks) Producing Countries, 2007, 2008, 2009

2007	2008	2009
Japan	Japan	<b>China</b>
United States	<b>China</b>	Japan
<b>China</b>	United States	United States
Germany	Germany	Germany
South Korea	South Korea	South Korea
France	Brazil	Brazil
Brazil	France	<b>India</b>
Spain	Spain	Spain
Canada	<b>India</b>	France
<b>India</b>	Mexico	Mexico

Source: Luthans and Doh, 2012, p. 140

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

### What facilitates emerging countries in automotive industry?

- Emerging countries rebounded more rapidly from the global economic downturn than developed ones
- Financial resources
- Acquisition add value to the companies :
- Geerly's Volvo acquisition adding value by leading brand, technology, engineering, styling and marketing resources and infrastructure
- Tata's acquisition of Jaguar and Land Rover marks "a significant expansion" gaining a whole new market in luxury automobiles.

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

### The Rise of China and India

More recently, the rising power of China and India in the global automotive industry has been made clear by the growth of brands such as Cherry and Tata, and by two recent acquisitions. On March 28, 2010, the Chinese auto company Geely bought Ford's Volvo car unit for \$1.8 billion. Reuters declared the deal to be China's "biggest overseas auto purchase" which "underscores China's arrival as a major force in the global auto industry." Two years earlier, another historic deal took place. On March 26, 2008, the Indian auto company Tata bought Ford's Land Rover and Jaguar brands. Volvo, Land Rover, and Jaguar are all European brands that Ford had previously purchased. The accompanying table shows the dramatic shift in global automotive production and the emergence of China and India (and other emerging markets such as Brazil) as major auto producing countries.

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What conditions have facilitated Chinese and Indian firms' ability and desire to make such large acquisitions? KPMG noted that emerging economies have rebounded more rapidly from the global economic downturn as compared with developed economies. Ian Gomes, chairman of KPMG's High Growth Markets in the UK, stated, "The emerging economies—and the trade buyers within—have emerged quicker and more strongly from the problems which continue to haunt Western economies. . . . [T]he emerging economies were affected by falling deal numbers for just a year. The developed economies have had two years of decline—and we're not even sure if we're at the bottom yet." Also, unlike U.S. firms still suffering from the credit crunch, Jack Perkowski, the founder and managing partner of JFP Holdings, a Merchant Bank operating in China, and a former Chairman of ASIMCO Technologies, a Chinese auto parts company, asserted that cash and credit are plentiful for Chinese firms. Perkowski wrote on a Forbes blog:

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Furthermore, by making acquisitions, Chinese and Indian firms add to their companies' value. Perkowski emphasized the value of Geely's Volvo acquisition: "By acquiring Volvo, Geely purchased an industry leading brand, and all of the technology, engineering, styling and marketing resources and infrastructure that contribute to that position." In addition, Mark Milner of *The Guardian* suggested that Tata's acquisition of Jaguar and Land Rover will "mark a significant expansion" of Tata's car-making capability. From the acquisition, Tata has also gained a whole new market in luxury automobiles.

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## Acquisition challenges and openness

- In the past, American and European authorities were hesitant to encourage acquisition by Indian and Chinese firms :
  - U.S. blocked China's National Offshore Oil Corp. in 2005 from buying Unocal;
  - Haier – Chinese appliance maker failed to acquire Maytag
- Recently, it appears to be more openness to these acquisitions

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

### Cultural challenges

- Changes in the global automotive industry are transforming the geographic and cultural locus of control for the industry from developed to emerging countries:
  - The rise of China and India as top auto producers poses political, economic, and cultural challenges for the North American and European auto industry and their employees.
  - Cultural implications of the changes are profound: “Eastern” countries emerging as dominant players in the industry and “Western” societies - less relevant.
  - Such changes create challenges for international managers, employees, and citizens who must now interact with and understand the cultural practices of other countries and society.

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## Opening case: Car Culture: Changing Global Trends in the Automotive Industry

Changes in the global automotive industry are transforming the geographic and cultural locus of control for the industry from developed to emerging countries. The rise of China and India as top auto producers poses political, economic, and cultural challenges for the North American and European auto industry and their employees. The cultural implications of these changes are profound, with “Eastern” countries emerging as dominant players in the industry and “Western” societies becoming less relevant. Such changes create challenges for international managers, employees, and citizens who must now interact with and understand the cultural practices of other countries and societies. This chapter provides insight into uncovering similarities and differences across cultures and using those insights to develop international management approaches that are effective and responsive to local cultures.

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## Strategic Predispositions

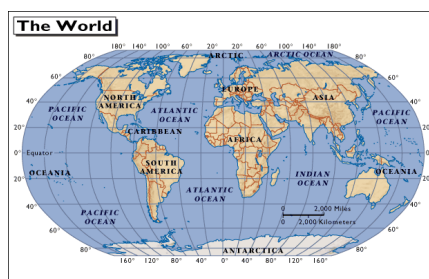
Four distinct predispositions toward doing things in a particular way:

1. Ethnocentric
2. Polycentric
3. Regio-centric
4. Geocentric

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## Strategic Predispositions

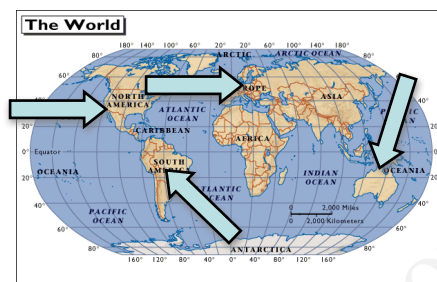
- Ethnocentric predisposition
  - A nationalistic philosophy of management whereby the values and interests of the parent company guide strategic decisions.



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## Strategic Predispositions

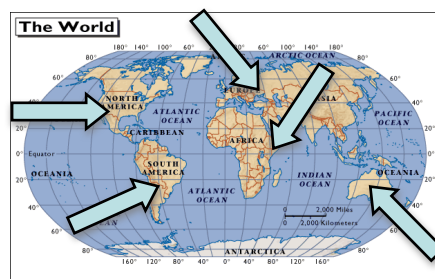
- **Polycentric predisposition**
  - A philosophy of management whereby strategic decisions are tailored to suit the cultures of the countries where the MNC operates.



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## Strategic Predispositions

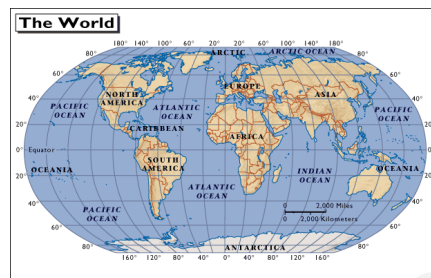
- **Regio-centric predisposition**
  - A philosophy of management whereby the firm tries to blend its own interests with those of its subsidiaries on a regional basis.



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## Strategic Predispositions

- **Geocentric predisposition**
  - A philosophy of management whereby the company tries to integrate a global systems approach to decision making.



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A company with an **ethnocentric predisposition** allows the values and interests of the parent company to guide strategic decisions. Firms with a **polycentric predisposition** make strategic decisions tailored to suit the cultures of the countries where the MNC operates. A **regiocentric predisposition** leads a firm to try to blend its own interests with those of its subsidiaries on a regional basis. A company with a **geocentric predisposition** tries to integrate a global systems approach to decision making. Table 5-1 provides details of each of these orientations.

If an MNC relies on one of these profiles over an extended time, the approach may become institutionalized and greatly influence strategic planning. By the same token, a predisposition toward any of these profiles can provide problems for a firm if it is out of step with the economic or political environment. For example, a firm with an ethnocentric predisposition may find it difficult to implement a geocentric strategy, because it is unaccustomed to using global integration. Commonly, successful MNCs use a mix of these predispositions based on the demands of the current environment described in the chapters in Part One.

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- <http://www.travlang.com/wordofday/>

### The TRAVLANG

#### Word of the Day: "Cheers!"

- **Holidays: "Learning based holiday ideas for 2012"** published on [Travlang Online](#)
- For some, a holiday means a week lounging in the sun, doing as little as possible - the most strenuous activity being a walk from the sun lounger to the pool.

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## Holidays

- **Skiing Holidays**  
If you're the sporty type, then you have a variety of options to choose from. Now is the perfect time to get a terrific deal on a skiing holiday, and if you don't mind where you go you can pick up an excellent last minute deal. You're never too old to start skiing and will find lessons for all abilities available both privately and in larger groups
- **Golfing Holidays**  
If you'd rather chase the sun during these cold winter months then a golfing holiday may be more up your street. You don't have to go far either - the Algarve has some of the best golfing resorts in the world and it is only a 2 hour plane journey
- **Skills-based Holidays**  
If you'd rather work your mind than your body on your holiday then maybe a photography break would be better. A decent photography course will have something for everybody, providing inspiration and the best spots for enthusiasts whilst bringing out the talent in beginners that they never knew they had.
- **Language-based Holidays**  
A holiday is also a perfect time to learn a new language, giving you the chance to immerse yourself in local culture. Many companies provide specialist courses to take whilst you're away that will help give that little extra boost so you truly get to grips with it

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## Meeting the Challenge

- The Globalization Imperative:
  - Belief that one worldwide approach to doing business is key to efficiency and effectiveness.
  - Many factors facilitate the need to develop unique strategies for different cultures:
    - Diversity of worldwide industry standards
    - Continual demand by local customers for differentiated products
    - Importance of being insider as in case of customer who prefers to “buy local”
    - Difficulty of managing global organizations
    - Need to allow subsidiaries to use own abilities and talents unconstrained by headquarters

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## Orientation of an MNC

**Table 5-1**  
**Orientation of an MNC Under Different Profiles**

	Orientation of the Firm			
	Ethnocentric	Polycentric	Regiocentric	Geocentric
Mission	Profitability (viability)	Public acceptance (legitimacy)	Both profitability and public acceptance (viability and legitimacy)	Same as regiocentric
Governance	Top-down	Bottom-up (each subsidiary decides on local objectives)	Mutually negotiated between region and its subsidiaries	Mutually negotiated at all levels of the corporation
Strategy	Global integration	National responsiveness	Regional integration and national responsiveness	Global integration and national responsiveness
Structure	Hierarchical product divisions	Hierarchical area divisions, with autonomous national units	Product and regional organization tied through a matrix	A network of organizations (including some stakeholders and competitor organizations)
Culture	Home country	Host country	Regional	Global
Technology	Mass production	Batch production	Flexible manufacturing	Flexible manufacturing
Marketing	Product development determined primarily by the needs of home country customers	Local product development based on local needs	Standardize within region, but not across regions	Global product, with local variations
Finance	Repatriation of profits to home country	Retention of profits in host country	Redistribution within region	Redistribution globally
Personnel practices	People of home country developed for key positions everywhere in the world	People of local nationality developed for key positions in their own country	Regional people developed for key positions anywhere in the region	Best people everywhere in the world developed for key positions everywhere in the world

Source: From Balaji S. Chakravarthy and Howard V. Perlmutter, "Strategic Planning for a Global Business," *Columbia Journal of World Business*, Summer 1985, pp. 5-6. Copyright © 1985 Elsevier. Reprinted with permission.

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## Globalization vs. National Responsiveness

- Advertising (for example)
  - *French*
    - Avoid reasoning or logic
    - Advertising predominantly emotional, dramatic, symbolic
    - Spots viewed as cultural events – art for sake of money – and reviewed as if they were literatures or films
  - *British*
    - Value laughter above all else
    - Typical broad, self-deprecating British commercial amuses by mocking both advertiser and consumer
  - *Germans*
    - Want factual and rational advertising
    - Typical German spot features standard family of 2 parents, two children, and grandmother

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## Globalization vs. National Responsiveness

- How to add value to marketing:
  - Tailor advertising message to particular culture
  - Stay abreast of local market conditions; don't assume all markets basically same
  - Know strengths and weaknesses of MNC subsidiaries; provide them assistance in addressing local demands
  - Give subsidiary more autonomy; let it respond to changes in local demand

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## Cross-Cultural Differences and Similarities

- Parochialism and Simplification
  - *Parochialism*: view world through own eyes and perspectives
  - *Simplification*: exhibit same orientation toward different cultural groups

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## Cultural Variations

**Table 5-2**  
**Six Basic Cultural Variations**

Orientations	Range of Variations
What is the nature of people?	Good (changeable/unchangeable) A mixture of good and evil* Evil (changeable/unchangeable)
What is the person's relationship to nature?	Dominant* In harmony with nature Subjugation
What is the person's relationship to other people?	Lineal (hierarchical) Collateral (collectivist) Individualist*
What is the modality of human activity?	Doing* Being and becoming Being
What is the temporal focus of human activity?	Future* Present Past
What is the conception of space?	Private* Mixed Public

*Note:* \*Indicates the dominant U.S. orientation.

*Source:* Adapted from the work of Florence Rockwood Kluckhohn and Fred L. Stodtbeck.

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## Cross-Cultural Differences and Similarities

- Similarities across cultures:
  - Not possible to do business same way in every global location
  - Procedures and strategies that work well at home can't be adopted overseas without modifications
  - Some similarities have been found
    - Russia and U.S. (for example)
      - Traditional management
      - Communication
      - Human resources
      - Networking activities
      - OB Mod

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## Cross-Cultural Differences and Similarities

- Differences across cultures
  - Far more differences than similarities found in cross-cultural research
  - Wages, compensation, pay equity, maternity leave
  - Importance of criteria used in evaluation of employees

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# Cultural Clusters

**Table 5-3**  
**Cultural Clusters in the Pacific Rim, EU, and United States**

	Power Distance	Individualism	Masculinity	Uncertainty Avoidance
<b>Pacific Rim</b>				
Hong Kong, Malaysia, Philippines, Singapore	+	—	+	—
Japan	+	—	+	+
South Korea, Taiwan	+	—	—	+
<b>EU and United States</b>				
France, Spain	+	+	—	+
Italy, Belgium	+	+	+	+
Portugal	+	—	—	+
Greece	+	—	+	+
Denmark, Netherlands	—	+	+	—
Germany	—	+	+	+
Great Britain, Ireland, United States	—	—	+	+

Note: + indicates high or strong; — indicates low or weak.

Source: Based on research by Hofstede and presented in Richard M. Hodgetts and Fred Luthans, "U.S. Multinationals' Compensation Strategies for Local Management: Cross-Cultural Implications," *Compensation and Benefits Review*, March–April 1993, p. 47. Reproduced with permission of Sage Publications, Inc. via Copyright Clearance Center.

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# International Human Resource Management

**Figure 5-2**  
**A Partially Completed Contingency Matrix for International Human Resource Management**

	Japan	Germany	Mexico	China
<b>Recruitment and selection</b>	<ul style="list-style-type: none"> <li>Prepare for long process</li> <li>Ensure that your firm is "here to stay"</li> <li>Develop trusting relationship with recruit</li> </ul>	<ul style="list-style-type: none"> <li>Obtain skilled labor from government subsidized apprenticeship program</li> </ul>	<ul style="list-style-type: none"> <li>Use expatriates sparingly</li> <li>Recruit Mexican nationals at U.S. colleges</li> </ul>	<ul style="list-style-type: none"> <li>Recent public policy shifts encourage use of sophisticated selection procedures</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>Make substantial investment in training</li> <li>Use general training and cross-training</li> <li>Training is every one's responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Reorganize and utilize apprenticeship programs</li> <li>Be aware of government regulations on training</li> </ul>	<ul style="list-style-type: none"> <li>Use bilingual trainers</li> </ul>	<ul style="list-style-type: none"> <li>Careful observations of existing training programs</li> <li>Utilize team training</li> </ul>
<b>Compensation</b>	<ul style="list-style-type: none"> <li>Use recognition and praise as motivator</li> <li>Avoid pay for performance</li> </ul>	<ul style="list-style-type: none"> <li>Note high labor costs for manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Consider all aspects of labor cost</li> </ul>	<ul style="list-style-type: none"> <li>Use technical training as reward</li> <li>Recognize egalitarian values</li> <li>Use "more work more pay" with caution</li> </ul>
<b>Labor relations</b>	<ul style="list-style-type: none"> <li>Treat unions as partners</li> <li>Allow time for negotiations</li> </ul>	<ul style="list-style-type: none"> <li>Be prepared for high wages and short work week</li> <li>Expect high productivity from unionized workers</li> </ul>	<ul style="list-style-type: none"> <li>Understand changing Mexican labor law</li> <li>Prepare for increasing unionization of labor</li> </ul>	<ul style="list-style-type: none"> <li>Tap large pool of labor cities</li> <li>Lax labor laws may become more stringent</li> </ul>
<b>Job design</b>	<ul style="list-style-type: none"> <li>Include participation</li> <li>Incorporate group goal setting</li> <li>Use autonomous work teams</li> <li>Use uniform, formal approaches</li> <li>Encourage co-worker input</li> <li>Empower teams to make decision</li> </ul>	<ul style="list-style-type: none"> <li>Utilize works councils to enhance worker participation</li> </ul>	<ul style="list-style-type: none"> <li>Approach participation cautiously</li> </ul>	<ul style="list-style-type: none"> <li>Determine employee's motives before implementing participation</li> </ul>

Source: From Fred Luthans, Paul A. Marsnik, and Kyle W. Luthans, "A Contingency Matrix Approach to IHRM," *Human Resource Management Journal* 36, no. 2, 1997. Reprinted with permission of John Wiley & Sons, Inc.

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## Cultural Differences in Selected Countries and Regions

### Doing Business in **China**

1. The Chinese place values and principles above money and expediency.
2. Business meetings typically start with pleasantries such as tea and general conversation about the guest's trip to the country, local accommodations, and family.
3. The Chinese host will give the appropriate indication for when a meeting is to begin and when the meeting is over.
4. Once the Chinese decide who and what is best, they tend to stick with these decisions. Although slow in formulating a plan of action, once they get started, they make fairly good progress.

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## Cultural Differences in Selected Countries and Regions: China

5. In negotiations, reciprocity is important. If the Chinese give concessions, they expect some in return.
6. Because negotiating can involve a loss of face, it is common to find Chinese carrying out the whole process through intermediaries.
7. During negotiations, it is important not to show excessive emotion of any kind. Anger or frustration is viewed as antisocial and unseemly.
8. Negotiations should be viewed with a long-term perspective. Those who will do best are the ones who realize they are investing in a long-term relationship.

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## Cultural Differences in Selected Countries and Regions

### Doing Business in **Russia**

1. Build personal relationships with partners. When there are contract disputes, there is little protection for the aggrieved party because of the time and effort needed to legally enforce the agreement.
2. Use local consultants. Because the rules of business have changed so much in recent years, it pays to have a local Russian consultant working with the company.
3. Ethical behavior in the United States is not always the same as in Russia. For example, it is traditional in Russia to give gifts to those with whom one wants to transact business.
4. Be patient. In order to get something done in Russia, it often takes months of waiting.

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## Cultural Differences in Selected Countries and Regions: Russia

5. Russians like exclusive arrangements and often negotiate with just one firm at a time.
6. Russians like to do business face-to-face. So when they receive letters or faxes, they often put them on their desk but do not respond to them.
7. Keep financial information personal. Russians wait until they know their partner well enough to feel comfortable before sharing financial data.
8. Research the company. In dealing effectively with Russian partners, it is helpful to get information about this company, its management hierarchy, and how it typically does business.

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## Cultural Differences in Selected Countries and Regions: Russia

9. Stress mutual gain. The Western idea of “win-win” in negotiations also works well in Russia.
10. Clarify terminology. The language of business is just getting transplanted in Russia so double-check and make sure that the other party clearly understands the proposal, knows what is expected and when, and is agreeable to the deal.
11. Be careful about compromising or settling things too quickly because this is often seen as a sign of weakness.
12. Russians view contracts as binding only if they continue to be mutually beneficial, so continually show them the benefits associated with sticking to the deal.

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## Cultural Differences in Selected Countries and Regions

- **Doing business in India**
  1. It is important to be on time for meetings.
  2. Personal questions should not be asked unless the other individual is a friend or close associate.
  3. Titles are important, so people who are doctors or professors should be addressed accordingly.
  4. Public displays of affection are considered to be inappropriate, so one should refrain from backslapping or touching others.

5-40

## Cultural Differences in Selected Countries and Regions: India

5. Beckoning is done with the palm turned down; pointing often is done with the chin.
6. When eating or accepting things, use the right hand because the left is considered to be undean.
7. The *namaste* gesture can be used to greet people; it also is used to convey other messages, including a signal that one has had enough food.
8. Bargaining for goods and services is common; this contrasts with Western traditions, where bargaining might be considered rude or abrasive.

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## Cultural Differences in Selected Countries and Regions

### Doing business in **France**

1. When shaking hands with a French person, use a quick shake with some pressure in the grip.
2. It is extremely important to be on time for meetings and social occasions. Being “fashionably late” is frowned on.
3. During a meal, it is acceptable to engage in pleasant conversation, but personal questions and the subject of money are never brought up.
4. Visiting businesspeople should try very hard to be cultured and sophisticated.

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## Cultural Differences in Selected Countries and Regions: France

5. The French tend to be suspicious of early friendliness in the discussion and dislike first names, taking off jackets, or disclosure of personal or family details.
6. In negotiations the French try to find out what all of the other side's aims and demands are at the beginning, but they reveal their own hand only late in the negotiations.
7. The French do not like being rushed into making a decision, and they rarely make important decisions inside the meeting.
8. The French tend to be very precise and logical in their approach to things, and will often not make concessions in negotiations unless their logic has been defeated.

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## Cultural Differences in Selected Countries and Regions

- Doing business in **Arab** countries

1. It is important never to display feelings of superiority, because this makes the other party feel inferior. Let one's action speak for itself and not brag or put on a show of self-importance.
2. One should not take credit for joint efforts. A great deal of what is accomplished is a result of group work, and to indicate that one accomplished something alone is a mistake.
3. Much of what gets done is a result of going through administrative channels in the country. It often is difficult to sidestep a lot of this red tape, and efforts to do so can be regarded as disrespect for legal and governmental institutions.

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## Cultural Differences in Selected Countries and Regions: Arab Countries

4. Connections are extremely important in conducting business.
5. Patience is critical to the success of business transactions. This time consideration should be built into all negotiations.
6. Important decisions usually are made in person, not by correspondence or telephone. This is why an MNC's personal presence often is a prerequisite for success in the Arab world. Additionally, while there may be many people who provide input on the final decision, the ultimate power rests with the person at the top, and this individual will rely heavily on personal impressions, trust, and rapport.

5-45

## Review and Discuss

1. Define the four basic predispositions MNCs have toward their international operations.
2. In what way are parochialism and simplification barriers to effective cross-cultural management? In each case, give an example.
3. Many MNCs would like to do business overseas in the same way that they do business domestically. Do research findings show that any approaches that work well in the U.S. also work well in other cultures?

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## In the International Spotlight: Mexico

- *Why would multinationals be interested in setting up operations in Mexico?*
  - The workforce is quite productive and turn out high quality products (case related to Ford's Hermisillo plant)
  - Mexican economy is growing that means a growing local market for goods and services.
  - International economic integration
- *Would culture be a major stumbling block for American firms doing business in Mexico? For European firms? For Japanese firms? Explain.*
  - Culture is always a major problem for those not aware or sensitive to differences. Since U.S. firms are closer to Mexico and have more experience there, they would undoubtedly have fewer problems than the Europeans and especially the Japanese
  - One barrier discussed previously is the concept of time. Because Mexicans have a different concept of time than U.S (Synchronous vs. Sequential approach). Managers, this would be a major stumbling block if it is not understood.

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## In the International Spotlight: Mexico

- *Why might MNCs be interested in studying the organizational culture in Mexican firms before deciding whether or not to locate there? Explain.*
  - Because of the differences in organizational culture. While the national culture differences would help identify general differences between the multinational and local personnel, the organizational culture differences would help explain the way things are done within the firm. MNCs could learn a great deal by finding out how Mexican employees are accustomed to doing things, rather than simply trying to transplant their operating philosophy and styles on the local employees

5-48



## You be the international management consultant:

### Beijing, Here We Come!

- *What is the likelihood that the Canadians will be able to reach an agreement with the Mainland Chinese and not have to go back to their Taiwanese suppliers? Explain.*
  - This is a difficult question because Asians are sometimes notoriously slow in reaching agreements. If the Chinese hold up the Canadians, and do not reach an agreement within 90 days, it is the Canadians who will be in the weakest position.
  - Given that the Canadians do not want labor costs to rise more than 2 percent annually, this is a major demand in lieu of what is happening in other world markets including Taiwan. So the Chinese are in the driver's seat and the Canadians may indeed find themselves unable to make a deal with the Chinese and having to go back to the Taiwanese supplier.

5-49

## You be the international management consultant:

### Beijing, Here We Come!

- *Are the Canadians making a strategically wise decision in letting the Chinese from PRC handle all the of the manufacturing, or should they insist on getting more actively involved in the production process? Defend your answer.*
  - If the toys can be manufactured without a great deal of technology or skill, the Canadians need only be concerned about the quality of the output. If this is a problem or there are special techniques that must be used in building the toys, then the Canadians should negotiate for some active involvement in the production process. Otherwise, they should stand back and let the Chinese handle things.
- *What specific cultural suggestions would you make to the Canadians regarding how to do business with the Chinese?*
  - One suggestion is not to get into a situation where time is going to be a problem. One solution is to extend the agreement with the Taiwanese firm for another year. This will give the Chinese the opportunity to make a decision without forcing the Canadian firm into a quick, bad solution.

5-50