



# Chapter two

## Managing Across Cultures

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# Summarize the last lesson

- As MNCs become more transnational, their strategies must address the cultural similarity and differences in their varied markets.
- Four distinct predispositions toward doing things in a particular way:
  1. Ethnocentric
  2. Polycentric
  3. Regio-centric
  4. Geocentric

# Summarize the last lesson

- 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

# Summarize the last lesson

## Three major challenges for most MNC:

1. The MNC must stay abreast of local market conditions and sidestep the temptation to assume that all markets are basically the same.
2. The MNC must know the strengths and weaknesses of its subsidiaries so that it can provide these units with the assistance needed in addressing local demands.
3. The MNC must give the subsidiary more autonomy so that it can respond to changes in local demands.

# Cross-Cultural Differences and Similarities

- **Parochialism and Simplification**
  - *Parochialism*: view world through own eyes and perspectives. This can be a strong temptation for many international managers, who often come from advanced economies and believe that their state-of-the-art knowledge is more than adequate to handle the challenges of doing business in less developed countries.
  - *Simplification*: exhibit same orientation toward different cultural groups. For example, the way in which a U.S. manager interacts with a British manager is the same way in which he or she behaves when doing business with an Asian executive.
    - this orientation reflects one's basic culture

# Cross-Cultural Differences and Similarities

## Example of Simplification

- Here is an example of a member of the purchasing department of a large European oil company who was negotiating an order with a Korean supplier:
- At the first meeting, the Korean partner offered a silver pen to the European manager. But the European politely refused the present for fear of being bribed (even though he knew about the Korean custom of giving presents). Much to our manager's surprise, in the second meeting, the Korean manager offer a bigger gift. Again the European manager refused, his fear of being bribed probably heightened.
- When he gazed at a piece of Korean china on the third meeting, he finally realized what was going on. His refusal had not been taken to mean "let's get on with business right away," but rather "If you want to get into business with me, you had better come up with something bigger"

# 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
  - **BUT**, there are some similarities have been found
    - Russia and U.S. (for example)
      - Traditional management
      - Communication
      - Human resources
      - Networking activities
      - OB Mod

# Cross-Cultural Differences and Similarities

## Discussion question

Many MNCs would like to do business overseas in the same way that they do business domestically. Do research findings show that any practical behaviors that work well in the US also work well in other cultures? If so, identify and describe two.



# Cross-Cultural Differences and Similarities

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

# Example of many differences across culture

## Representative examples of HRM differences

1. The concept of an hourly wage plays a minor role in Mexico. Labor law requires that employees receive full pay 365 days a year.
2. In Austria and Brazil, employees with one year of service are automatically given 30 days of paid vacation.
3. Some jurisdictions in Canada have legislated pay equity—known in the United States as comparable worth—between male- and female-intensive jobs.
4. In Japan, compensation levels are determined by using the objective factors of age, length of service, and educational background rather than skill, ability, and performance. Performance does not count until after an employee reaches age 45.
5. In the United Kingdom, employees are allowed up to 40 weeks of maternity leave, and employers must provide a government-mandated amount of pay for 18 of those weeks.
6. In 87 percent of large Swedish companies, the head of human resources is on the board of directors.<sup>18</sup>

# Example of many differences across culture

## Representative examples of effective compensation strategy

1. In Pacific Rim countries, incentive plans should be group-based. In high-masculinity cultures (Japan, Hong Kong, Malaysia, the Philippines, Singapore), high salaries should be paid to senior-level managers.
2. In EU nations such as France, Spain, Italy, and Belgium, compensation strategies should be similar. In the latter two nations, however, significantly higher salaries should be paid to local senior-level managers because of the high masculinity index. In Portugal and Greece, both of which have a low individualism index, profit-sharing plans would be more effective than individual incentive plans, while in Denmark, the Netherlands, and Germany, personal-incentive plans would be highly useful because of the high individualism in these cultures.
3. In Great Britain, Ireland, and the United States, managers value their individualism and are motivated by the opportunity for earnings, recognition, advancement, and challenge. Compensation plans should reflect these needs.<sup>19</sup>

# Example of many differences across culture

- The head office had established the criteria to be used in these evaluations but left the prioritization of the criteria to the national operating company. As a result, the outcome of the evaluations could be quite different from country to country because what was regarded as the most important criterion in one subsidiary might be ranked much lower on the evaluation list of another subsidiary

# Example of many differences across culture

What staff in Shell's operating companies in four countries were asked to prioritize these five criteria from top to bottom, the results were as follows:

Netherlands	France	Germany	Britain
Reality	Imagination	Leadership	Helicopter
Analysis	Analysis	Analysis	Imagination
Helicopter	Leadership	Reality	Reality
Leadership	Helicopter	Imagination	Analysis
Imagination	Reality	Helicopter	Leadership



# Example of many differences across culture

- Quite obviously, personnel in different operating companies were being evaluated differently. In fact, no two of the operating companies in the four countries had the same criterion at the top of their lists. Moreover, the criterion at the top of the list for operating companies in the Netherlands—reality—was at the bottom of the list for those in France; and the one at the top of the list in French operating companies—imagination— was at the bottom of the list of the Dutch firms. Similarly, the German operating companies put leadership at the top of the list and helicopter at the bottom, while the British companies did the opposite! In fact, the whole list for the Germans is in the exact reverse order of the British list

# Example of many differences across culture

## Examples of cross-cultural differences and its important role

- Youtube video: “Business Speaker Erin Meyer: How Cultural Differences Affect Business”
  - Link:  
<https://www.youtube.com/watch?v=zQvqDv4vbEg>
- Youtube video: “It's (past) time to appreciate cultural diversity”
  - Link:  
[https://www.ted.com/talks/hayley\\_yeates\\_it\\_s\\_past\\_time\\_to\\_appreciate\\_cultural\\_diversity](https://www.ted.com/talks/hayley_yeates_it_s_past_time_to_appreciate_cultural_diversity)

# 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.



# 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.

# 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.

# 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.

# 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.

# 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.

# 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 unclean.
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.

# 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.

# 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.



# 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.

# 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.

# 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.

# 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

# 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?