A new family has just moved to Michaela’s neighborhood, all the way from China. They have a daughter about Michaela’s age, and she wants to make her feel welcome. She goes over to introduce herself, but the girl doesn’t seem very friendly. She doesn’t look Michaela in the eye and doesn’t say very much. Michaela wonders if she’s “stuck up” or just not interested in being friends. In reality, Bao Yu would love to get to know Michaela, but she’s unsure of how to act, used to the amount of direct eye contact give in the U.S. Cultural differences can certainly have an impact on personal relationships, and they influence the way business is conducted as well. Learn more about the cultural differences and social issues that affect business, as well as practical ways that businesses can address these differences to keep things flowing smoothly.

Objectives

A. Discuss cultural differences in business.
B. Describe ways that businesses address cultural issues in international trade.

It’s a Cultural Thing

Business and culture

Whether you realize it or not, culture plays a big role in who you are, how you relate to others, and how you view the world. A simple definition of culture is “the customs, habits, and traditions of a particular group of people.” Your culture can refer to the country where you live—your customs and traditions as a Canadian, for example. It can also refer to smaller regions of a country, such as New England in the United States or the southern part of India. It can even refer to people groups that exist outside the bounds of geography—there are customs and habits associated with professional athletes, vegetarians, video “gamers”—pretty much any group you can think of!

Your culture can refer to your entire country, a smaller region where you live within that country, or some other group of people you associate with.

You probably belong to a number of different cultures. All these cultures blend together in your life to make you who you are. Since culture plays such an important part in the lives of individuals, it makes sense that it also plays an important part in how business is conducted. Even a small business could have dozens, if not hundreds, of different cultures represented within its work force. In addition, the business itself has its own unique organizational culture and even subcultures (cultures within a culture) that develop under that! These subcultures affect how employees interact with each other and complete their job tasks. For example, there may be a subculture that exists within a business’s shipping department. These employees spend all day in the warehouse, and they’ve
• Different cultures have different attitudes in negotiating. Some cultures look for “win-win” solutions, while others are fine with “win-lose” conclusions. Some cultures tend to avoid risks in negotiation, while others are not averse to it.

• Different cultures have different schedules in negotiating. Some cultures are more laid-back and open-ended with their needs, while others are time-sensitive and want to conclude negotiations as quickly as possible.

Before entering negotiations with a business or customer from a different culture, a firm must be well aware of the negotiating style, goals, attitude, and schedule of the other party.

In general...

So, what do all these cultural differences mean? How does knowing about them help businesses to become more successful in international trade? The truth is that simply recognizing cultural differences is only half the battle—organizations must take action and address issues appropriately if they want to overcome these potential obstacles. Even countries with very different cultures can build successful trading partnerships if they respect each other’s customs and habits. It’s important for businesses to consider individual cultures as they set goals and objectives for international trade.

Summary

Culture is the customs, habits, and traditions of a particular group of people. Businesses have their own organizational cultures and subcultures. They must also deal with different cultures around the world. A good resource for understanding culture is Hofstede’s dimensions of national culture—power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, and long-term vs. short-term orientation. Culture heavily influences communication, both verbal and nonverbal. Other cultural issues businesses must address include religion, corruption, government involvement, and negotiation tactics.

Sample Page

Bribery is a common practice in many poorer and developing nations. Often, government officials are living in poverty, and they try to leverage their positions to better provide for their families. Businesses know their competitors will have a competitive advantage if they engage in bribes within these countries. Is it legal, and almost everyone else is doing it? What do you think is ethical?
Do It Right

By now, you understand how important it is for businesses to address cultural issues appropriately when engaging in international trade. But, how can they do so practically? Let's take a look at some of the ways businesses can prepare for success when dealing with other cultures.

Research, research, research

Before doing business in a new country, a business should learn all it can about that country’s culture and subcultures. What are the people like? What do they value? How do they spend their time? What about the government—is the political situation stable? Knowledge is power, and the more cultural knowledge a business has, the better chance it has of being successful in international trade.

Conducting research can prepare a business to deal with potential corruption in a new market. An organization called Transparency International publishes a Corruption Perceptions Index each year (visit http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results). Using this index along with other relevant research can help a business answer important questions, such as:

• How much room should we include in our budget to deal with corruption in this country?
• What are the legal bounds of bribery in this country?
• How will dealing with corruption in this country affect our accounting records?
• If we refuse to make certain payments, will it affect our competitiveness in this market?

Businesses should also obtain a clear understanding of religious issues before undertaking operations in a particular country or culture. Consider the Sharia law that applies in many Islamic countries. A business may need to make sure it isn’t charging interest on invoices within those countries. If the business is associated with any products or practices that are questionable by Muslim standards, it may be wise to create a separate, independent company.

Be prepared

A business must prepare its employees for dealing with people from other cultures. This applies not only to employees who will be traveling and visiting other countries, but to domestic employees as well. After all, it’s just as important to treat customers and contacts from other cultures appropriately on your own “turf”—whether they are visiting your country, talking with you on the phone, communicating over e-mail or video chat, etc.

In some cases, businesses hire employees who speak certain languages or even pay for current employees to take language training. It’s not always a requirement to speak the same language as the customer or contact you’re dealing with, but it certainly helps! Many companies also provide cultural training for employees who will be dealing with those in other countries. Cultural training can educate employees on the customs and traditions of the people they may encounter and can provide some practical “do’s” and “don’ts” for interacting with them.
**Tips and guidelines**
Every culture is unique, but there are some general tips and guidelines that can help employees approach almost any cultural issue correctly:

- Understand that you’re not dealing with “culture”—you’re dealing with real, live people! Approach everyone as a unique individual, not simply a representative of a certain culture. Realize that even one person may represent a variety of different cultural backgrounds. Strive to develop personal relationships with others and to truly get to know them.

- Expect differences to arise. Don’t be surprised when you encounter difficulty understanding, communicating with, or relating to a person from another culture. This is natural. By researching and learning about other cultures, you can be as prepared as possible to deal with these issues when they come up.

- Avoid these common mistakes:
  - **Stereotyping**—This means generalizing people based on their cultural backgrounds—thinking that all Mexicans or all Jewish people or all Asians think and act the same way. This is simply not true. Your personal experiences with people from certain cultures may be positive or negative—but don’t let those experiences influence your thinking about an entire group of people. Treating people as individuals should help you avoid this problem.
  - **Ethnocentrism**—This means believing that your own culture has it “right.” Remember that “different” doesn’t necessarily mean “wrong.” Just because someone from another culture thinks or acts unlike you, it doesn’t mean his/her culture is inferior to yours.

- Strive to communicate as clearly as you can. Avoid using slang and jargon that may be difficult for those from other cultures to understand. Use examples to clarify your point. Ask questions when you don’t understand something, and listen carefully to others. Observe the other person’s communication style and adapt to it as much as you can.

- Show respect. Learn how respect is shown in the culture you’re dealing with so you can demonstrate it the right way. For example, in some countries, a respectful greeting might include a kiss on both cheeks, but in other countries, this would be considered too forward.

- Be flexible. When dealing with people in other countries or cultures, you won’t always be able to have things “your way.” Learn to compromise and adapt to changing situations and circumstances.

- Be patient. Sometimes, communicating or doing business with people from other cultures can take a little longer or even cause some initial frustration. Don’t become overwhelmed. Just stick with it and continue working to build good international partnerships for your business.

**Summary**
There are a number of ways that businesses can successfully interact with other cultures while engaging in global trade. They can prepare for this interaction by learning as much as they can about other cultures and training their employees appropriately. Other guidelines for successful cultural interaction include dealing with people as individuals; expecting differences to arise; avoiding stereotyping and ethnocentrism; communicating clearly; showing respect; being flexible; and being patient.

**Make It Pay!**

What kind of “organizational culture” does your school have? What kinds of subcultures have developed? How do these cultures affect different people—administrators, teachers, students? What does your school need to do to accommodate these subcultures?