

ERWAN HENRY

BUSINESS CULTURES ACROSS THE WORLD

A PRACTICAL GUIDE



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Business Cultures Across the World

This practical guide is for everyone in international business interacting with customers, suppliers, partners and colleagues of different nationalities.

Once aware of business cultures you will focus on what really matters to get things done, mainly time, trust, connecting, money, decision-making, action, emotions, leadership, rules and policy.

This book covers the whole world, quickly and clearly highlighting six families of business culture. In particular it looks at 21 country or regional profiles, exploring the key features of how they do business.

They account for 90% of the global economy.

Nuts and bolts takeaways inform key business situations: what you need to know but do not see; women in business; meetings; negotiations; and pressing the right buttons.

This no-nonsense global guide is the fruit of 30 years' work developing business in the field. It should match the real needs of managers in the front line of international trade, reducing stress, enhancing ability and streamlining performance.

Erwan Henry is a global business developer, who has worked all over the world in senior corporate positions. He also lectures on Executive MBA courses in Asia, Brazil, Russia and Europe.

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A Practical Guide

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Foreword

Tackling the global economy is a formidable challenge for business executives, in particular in small and medium-sized companies.

Thirty years of international business, travelling in over 70 countries, hands on management practice in over 25 countries¹ have taught me, often the hard way, the importance of culture in business. I believe it is even more important than finance and marketing. We can all recall misunderstandings originating from different backgrounds or nationalities, becoming the root cause of clumsy decisions, then tension turning into conflict and finally losses and failure.

This practical guidebook started as a set of texts² prepared for my MBA lectures in International Strategy to detail and explain business cultures. But this is neither a textbook nor the fruit of academic research, a management theory, a conceptual method, nor yet a superficial etiquette manual. It is based on hands-on experience, which I had the privilege to acquire all over the world, developing and managing business for industrial goods.

The aim of this guide is therefore to provide a simple, easily accessible and functional perspective for executives engaged in international business. I shall start by underlining the deep, far-reaching influence of business cultures in the way people behave and interact at work. Then I shall look at the unique features and striking differences between the various families of business culture, to which most national patterns can be linked. My aim is to greatly facilitate the work of executives and reduce stress, when travelling to unfamiliar countries or targeting new markets. Lastly I shall highlight the buttons to press, to get things done.

1. China, India, Japan, Korea, Thailand, Indonesia, Brazil, Argentina, USA, Canada, Mexico, South Africa, Saudi Arabia, Turkey, Russia, Ukraine, Poland, Czech Republic, Germany, UK, Italy, Austria, Spain, Portugal, The Netherlands and France.

2. Some of these texts, in a condensed form, were published in a trade magazine, Metal Finishing News, between 2006 and 2012. They have all been updated and expanded since; new profiles have been added with takeaways for doing business, in order to complete the perspective and finalize this guide.

The five sections draw on my direct observation and understanding of business cultures, appraisal of their salient features and experience conducting business and working with local people. In the first instance, I will be looking at six groups: Anglo-Saxon, Latin, Asian, Slav, Arab and sub-Saharan African. Then I will shed light on 21 national or regional business cultures, with a thorough profile and practical takeaways for conducting business.

I wish you well in the global economy.

Introduction.

Business cultures: a practical model

Navigating the rough seas of the global economy sounds more like patrolling enemy waters than a Caribbean cruise. The job of tackling globalization is similar to the one of the captain of a naval ship and their crew at action stations: unflinching command or management, acute intelligence in real time (“Where are the targets? Am I a prey? What should be the next smart move?”), trained and efficient crew when there is no second chance (“Aim, fire and hit or become the next target”).

Now imagine that the crew of this naval vessel is made up of people of various origins, citizenships, religions, backgrounds, cultures and languages, waging war together, engaging the main enemy fleet, skirmishing with pirates and keeping sharks at bay, all at the same time! This is what cross-cultural management should achieve in the global economy!

Management tasks such as hiring, training, organizing, motivating, leading, controlling and rewarding are blurred and often disrupted by differences in language and culture. It is important to have a good understanding of how cultures interact and collide in order to close deals, manage people, anticipate and hopefully prevent conflict, overcome setbacks (which always happen), and develop business. We have all witnessed international meetings turning nasty or reaching an impasse, or negotiations with high stakes being derailed by sheer ignorance or gross negligence in cross-cultural matters.

The ability of companies to correctly handle these matters is not simply a human-resources job; it is a fundamental component of international strategy, a paramount factor for success in developing and creating value. You may have the best technology, the brightest engineers and creative marketing, but if you fail to get people from different cultures to work together and pull in the same direction, turning diversity into synergy, it is useless. Furthermore an efficient cross-cultural management capability is in itself a strong competitive advantage as it provides lower costs, higher

reliability in quality and supply chain, less conflict and a quicker response to problems, pro-activity to explore new paths, closer relationships with customers, quicker adjustment to foreign market requirements, etc.

Theories and models appraising cultures

It will come as no surprise to learn that cross-cultural management is the subject of several theories and methods.

The most famous theory was hatched by organizational psychologist Geert Hofstede³. His cultural model uses six indicators for cultural differences in about 90 countries: power distance, individualism versus collectivism, femininity versus masculinity, uncertainty avoidance, longer-term versus short-term orientation and indulgence versus restraint.

Another well-known model is organizational sociologist Fons Trompenaars' seven dimensions⁴ of culture in 55 countries: the universal versus the particular, individual versus community, specific versus diffuse, neutral versus emotional, achievement versus ascription, sequential time versus synchronous time, internal direction versus outer direction.

The theory of anthropologist Edward Hall⁵ focuses on context, time, space and information, as cultural factors. He started his model of intercultural communication by studying Navajo culture in Native American reservations.

The theory of businessman Richard Lewis⁶ is based on three dimensions of behaviour in over 60 countries: linear-active, multi-active and reactive.

The theory of globalization consultant Richard Gesteland⁷ focuses explicitly on business cultures, outlining four key patterns: deal versus relationship-focused, informal versus formal, rigid versus fluid-time, expressive versus reserved. He aims to provide a practical guide for those engaged in international trade.

3. www.geert-hofstede.com

4. www2.thtconsulting.com

5. *The Silent Language*, Hall (Anchor Books, 1959), *The Hidden Dimension*, Hall (Anchor Books, 1966).

6. www.crossculture.com

7. *Cross-cultural Business Behavior*, Gesteland (Copenhagen Business School Press, 1996).

There are several others, including Tönnies⁸, Kluckhohn and Strodtbeck⁹ and D'Iribarne¹⁰, each adopting different approaches: psychology, sociology, anthropology, history and such.

All these theories and models are intriguing for those who travel the world and try to understand and interact with foreign people. Indeed, I have studied them, and have even taught some of them. However, I was frustrated when it came to connecting theory to day-to-day business. A manager may carefully prepare their trip to say Thailand, read everything about Thai cultural dimensions from all these models: this will facilitate their grasp of the country's cultural patterns, but will not be much help in the practical conduct of business. For two reasons.

Firstly these models and theories are about culture in general, they cover a vast field, far too large to be easily assimilated; sorting out, selecting and absorbing what really matters in business is complex and unlikely to be achieved in a short period of time, especially for a quick trip.

Secondly, most of these models are country-based, meaning international executives have to learn about each one, often many at a time, to achieve their goal. This is long and tedious. And what about the countries and/or cultures that are not analyzed?

This is why, after explaining these theories for a few years to international managers, I am trying to modestly supplement them by introducing an approach of my own. This is not academic work, it is all based on first-hand observation and practical business experience that I have been privileged to gain during 30 years, in over 70 countries, and with a resolute down-to-earth business angle of getting things done.

The business-culture approach

Step one

Rather than trying to grasp and understand a culture as a whole, I concentrate on the dimensions, which really matter in business. I have consequently selected 12 practical features, which should be enough to paint a clear picture:

8. *Gemeinschaft und Gesellschaft*, Tönnies (1887); *Community and Society*, Tönnies (Michigan State University Press, 1957).

9. *Variations in Value Orientation*, Kluckhohn and Strodtbeck (Peterson, 1961).

10. *La Logique de l'Honneur*, d'Iribarne (Seuil, 1989).

- Time is fundamental in all aspects of business: plans, budgets, deadlines, objectives, meetings, etc. “*Manhana*”¹¹ and “in 24 hours” does not have the same meaning. Are people quick or slow at taking decisions and acting? Is time a precious commodity finely measured and managed, or is it simply a fact of nature, part of an eternal cycle, without any value or consequence in itself?
- Trust is a relationship of reliance and a prediction of reliance. The accent with which *trust* is uttered, can change the very meaning of the word. Far more business takes place with a simple verbal or digital short agreement than a formal contract. So what does trust mean for your suppliers, customers, partners or employees, colleagues or boss?
- Money is supposedly the ultimate objective in business. Is it really? Does it rank first or second? Is maximizing profit the top driving force in business? Can other factors than the bottom line impact business decisions?
- Business is carried out by people. Is building a relationship a waste of time or a real investment? How much does the bond between individuals influence or steer business? Are they loyal to their company, their boss or their immediate superior? In what circumstances is a bond useless or mandatory?
- Are business and emotion compatible? Is it acceptable to display emotion? To what extent do emotions influence business decisions, perhaps driving and affecting an organization?
- What does leadership mean for your customers, suppliers and partners? What are your foreign employees expecting from you as a boss? What kind of boss do you rely on?
- How are decisions taken? By whom? Is this short and simple or a long, complex process? What are the implications of the particular decision-making processes for business?
- How does action occur in the business chain? What triggers it? How does it unfold?
- Are policies and rules set in stone or hidden in a drawer? What degree of flexibility, if any, may exist? With what consequences in management?

11. *Manhana* or *mañana* translates into tomorrow in Spanish. The real meaning is “not today”, and often implies some procrastination.

– When individuals work together, what matters more in their relationship, the personal bond or the task to be performed? How does that affect operations and management?

– Mistakes and failures happen all the time; but are trials welcome and errors accepted? And what are the implications?

– Conflict is an inevitable part of business life. What triggers it most? What are the typical consequences? How can we anticipate and defuse conflict?

I did not include food on the list, as attitudes towards food and meal customs are general cultural patterns rather than directly related to business. But I must emphasize the real influence of food and meals in management and business life and I will elaborate on the subject in the profiles of several national business cultures.

Step two

Instead of reviewing scores of countries and/or cultures, I focus on kindred cultures. Here are the six cultural groups that I have observed and identified:

– Anglo-Saxon covers the United States, Canada, north-western Europe, including Scandinavia, Switzerland and Austria, Australia and New Zealand, the Republic of South Africa;

– Latin covers south-western Europe, including Greece, and all of Latin America;

– Slav covers central and eastern Europe from the Baltic states to Bulgaria and former Yugoslavia, including Hungary and Romania, Ukraine, Russia and the republics of South Caucasus;

– Arab covers mainly the Arabian peninsula and North Africa;

– Asian reaches from South Asia to Korea and Indonesia;

– sub-Saharan Africa covers Africa, south of the Sahara desert. Note that business in the Republic of South Africa mainly follows Anglo-Saxon patterns.

Turkey is a unique case, a kind of hybrid made up of Latin, Arab and Slav influences. Central Asian countries are a mix of Slav and Arab or Asian. Asian and Arab patterns are dominant in Iran and Pakistan.

This classification somehow follows linguistic and religious borders but not entirely. Quebec in Canada and French-speaking Switzerland, have a thoroughly Anglo-Saxon business culture. Belgium is however split between Latin Wallonia and Anglo-Saxon Flanders. Greek is not a Latin language

but the business culture is. Yet it is an Orthodox country. Romanian is a Latin language whereas the business culture is Slav.

The diversity of Asia is challenging, with considerable disparities between India and Japan, China and Indonesia, Thailand and Vietnam. Manifest Asian patterns are however plentiful in all these business cultures. Arab and sub-Saharan African business cultures also display numerous similarities with their Asian counterpart.

A practical tool for business executives

This business-culture approach is a practical tool for business executives. Considering the narrower scope of these business cultures is far easier than studying the very academic models cited above, and struggling to relate them – or just one of them – to daily international challenges and issues.

The business-culture approach is also far more effective than the references to etiquette largely found on the web. This ranges from trivial tips (“Give your business card with two hands in Asia.” “Refrain from drinking alcohol at lunch in the US.”) to ludicrous recommendations (“Bow a 30-degree angle in Japan.” “Treat punctuality casually in France.”). Such so-called etiquette is superficial, often misleading and certainly not enough to work and interact successfully.

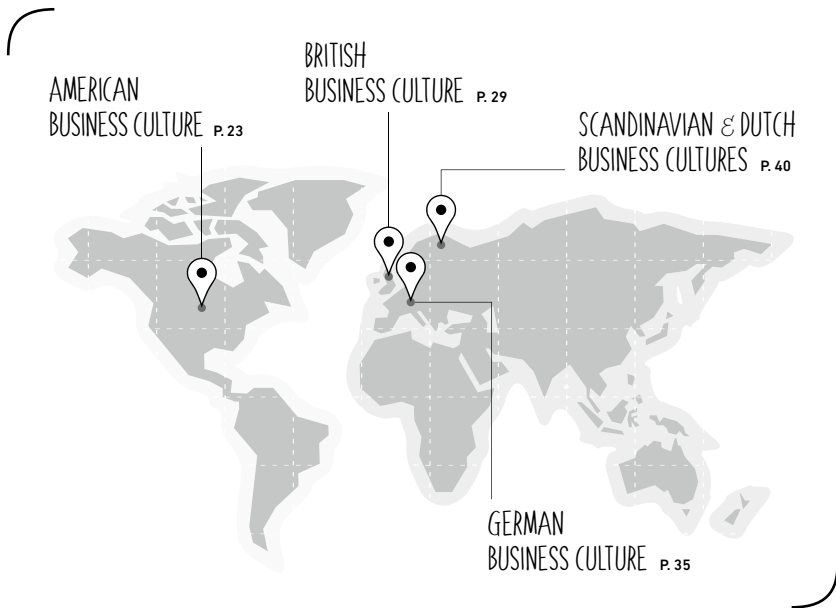
I disagree with Richard Gesteland, when he claims in the introduction to *Cross-Cultural Business Behavior*¹², “Cultural differences frustrate us because they are confusing and seem to be unpredictable!”. First of all, cultural differences are facts of life, it even starts between men and women (from Mars and Venus); their scale ranges from moderate dissimilarities (West versus East Coast in the US; wine versus beer-drinking regions in Germany) to deep variations (Latin America versus Russia, Japan versus the US).

Are cultural differences confusing? Well the confusion may come from an inadequate degree of awareness, understanding or anticipation. The same kind of confusion happens when facing an untried technology, new software or a fresh regulation. They too are predictable and thoroughly exposed in the models mentioned above.

12. *Cross-Cultural Business Behavior*, Gesteland (Copenhagen Business School Press, 2012).

This business-culture approach is consequently a modest, concise, practical and user-friendly tool to ease international interaction, facilitate cross-cultural management and speed up business development. Executives in the front line of the global economy will quickly find and grasp what they need to know. Reading carefully the following pages will prevent them from committing management blunders, misreading situations, letting tension turn into failure. They will decipher what they do not see at first, take a step back to finely assess issues, chose the right management mode, select the proper negotiation angle. The goal of this practical guide is thus to help them do their job more effectively, with less stress, quickly identifying and pressing the right buttons to get things done all over the world.

ANGLO-SAXON BUSINESS CULTURE



Anglo-Saxon business culture is the most visible model in the global economy. The British empire provided a vast territory for its business people and a secure legal environment, with emphasis on commercial law. The outcome of the Second World War enabled US companies to gain the upper hand and become the most numerous multinational corporations. The English language is the only genuinely global business language. These are historical and economic facts, but not the only reasons why this business culture is so successful.

Business-administration programmes, MBAs in particular, teach mostly Anglo-Saxon business methods and models. A vast majority of textbooks and case studies are American, naturally conveying the corresponding way

of doing business. But I see another reason for the success of Anglo-Saxon business culture: it greatly favours trust, which is a paramount advantage in management and business.

So let us explore the 12 key facets of Anglo-Saxon business culture. Separate profiles will then shed additional light on the American, British, German, Scandinavian and Dutch cultures.

Policies and rules, trust

Anglo-Saxon business culture is primarily based on clear, detailed rules of the game: a full range of policies, procedures, job descriptions, handbooks, manuals, guidelines, detailed instructions and methods, and formal assessments. In short it provides a comprehensive framework of operation.

By its very nature this promotes trust; as managers get a clear understanding on what is expected from them, how to carry out their tasks and how they will be assessed; the organizations are task-oriented; trial and error are fairly well accepted; the level of prejudice is low and recognition depends on performance; facts matter more than style; risks are welcome if the stakes are compatible; action prevails and debate is kept to a minimum.

Management is about results, achieving objectives, meeting profit margins, constant improvement, favouring change and taking risks. This inevitably involves a certain level of stress. Trust lessens such stress, so greatly facilitates management; it makes people more daring and organizations more efficient. Anglo-Saxon business culture provides a propitious environment of this sort.

Time, decisions, actions

Time is paramount, time is money, this is a commodity highly valued and managed. The smaller the unit used to measure time, the more prominent it is: Americans forecast in hours and days, while most of us would use days, weeks, etc. This is why a good decision is a quick decision.

Debate is cumbersome when speed is of the essence; why waste time arguing or hesitating? Taking a decision entails finding and collecting facts, then assessing them, period. Action starts immediately. In my experience this works fine most of the time; in the vast majority of cases the benefits of a quick decision and action outweigh light analysis. Other Anglo-Saxons are quick but do not rush for the sake of speed as Americans do; Germans in particular manage time very strictly and precisely.

Acknowledgements

Warmest thanks to my students for they unflinching encouragement to continue and finish off this book. As present or future players in the global economy they always saw the practical benefits of a guide of this sort.

Thanks to my university colleagues who also supported this project with an open mind.

I obviously cannot name all the people I met and worked with, and attentively observed all over the world in over 30 years. I express my gratitude to them for treating me with patience and benevolence, forgiving my blunders and kindly suggesting the proper angles of collaboration. I must admit that I deliberately tested many of them, with stimuli to trigger and scrutinize a response. Indeed I owe them an apology and admit that without their contribution this guide would have been impossible to prepare.

Biography

Erwan Henry holds a graduate degree from EM Lyon School of Business, majoring in B2B Marketing. He started his career with a Danone Group company engaged in the mass production of glass bottles

Erwan later became one of the top managers of Wheelabrator-Allevard (now Winoia), producing steel abrasives, where he spent 16 years in charge of marketing and international development. He was instrumental in the global expansion of the company, which became the dominant world leader, holding various operational positions in the Americas and Asia.

In 2004-05, Erwan had the rare privilege to work inside a Chinese company, based near Xiamen, Fujian province. He was then commercial director of a US Corporation in Greater Europe until 2010.

He is now the managing partner of Iris International Sarl, globally engaged in market intelligence, transfer of technology and business development. He has published five editions of the Shot Blasting and Metallic Abrasives Global Study, and several other global market reports.

Erwan is also a guest lecturer in international business teaching in executive MBA and other graduate programmes at IAE-UGA and GEM, Grenoble, France; FIA, Sao Paulo; PUC, Rio de Janeiro; University of Shanghai; Universitas Indonesia, Jakarta; Baltic and Ural Federal Universities, respectively in Kaliningrad and Yekaterinburg; Chulalongkorn University, Bangkok; Caucasus University, Tbilisi.

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