CHAPTER 2
CROSS-CULTURAL BUSINESS

LEARNING OBJECTIVES:
1. Describe culture and explain the significance of both national culture and subcultures.
2. Identify the components of culture and describe their impact on international business.
3. Describe cultural change and explain how companies and culture affect each other.
4. Explain how the physical environment and technology influence culture.
5. Describe the two main frameworks used to classify cultures and explain their practical use.

CHAPTER OUTLINE:

What Is Culture?
  Avoiding Ethnocentricity
  Developing Cultural Literacy
 National Culture and Subcultures
  National Culture
  Subcultures
Components of Culture
 Aesthetics
 Values and Attitudes
  Attitudes toward Time
  Attitudes toward Work
  Attitudes toward Cultural Change
   Cultural Diffusion
   When Companies Change Cultures
   When Cultures Change Companies
   Is a Global Culture Emerging?
 Manners and Customs
  Manners
  Customs
   Folk and Popular Customs
   The Business Custom of Gift Giving
 Social Structure
  Social Group Associations
   Family
   Gender
  Social Status
  Social Mobility
   Caste System
   Class System
 Religion
  Christianity
  Islam
  Hinduism
  Buddhism
  Confucianism
  Judaism

> Shinto
> Personal Communication
>> Spoken and Written Language
>>> Implications for Managers
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>>> *Lingua Franca*
>> Body Language
> Education
>> Education Level
>> The "Brain Drain" Phenomenon
> Physical and Material Environments
>> Physical Environment
>>> Topography
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>>> Uneven Material Culture
> Classifying Cultures
>> Kluckhohn–Strodtbeck Framework
>>> Case: Dimensions of Japanese Culture
>> Hofstede Framework
> Bottom Line for Business

A comprehensive set of specially designed PowerPoint slides is available for use with Chapter 2. These slides and the lecture outline below form a completely integrated package that simplifies the teaching of this chapter's material.

Lecture Outline

1. INTRODUCTION
    This chapter describes culture in the context of international business, explains how culture affects international business practices and competitiveness, and presents two methods of classifying cultures.

2. WHAT IS CULTURE?
    Culture is the set of values, beliefs, rules, and institutions held by a specific group of people. Main components include: *aesthetics*, *values* and *attitudes*, *manners* and *customs*, *social structure*, *religion*, *personal communication*, *education*, and *physical* and *material environments*.

    A. Avoiding Ethnocentricity
        1. *Ethnocentricity* is the belief that one's own ethnic group or culture is superior to that of others. It causes people to *view other cultures in terms of their own* and overlook beneficial aspects of other cultures.
        2. Ethnocentricity can undermine business projects when employees are insensitive to cultural nuances.

    B. Developing Cultural Literacy

1. Managers working directly in international business should develop *cultural literacy*—detailed knowledge about a culture that enables a person to function effectively within it.
2. Cultural literacy brings a company closer to customer needs and improves competitiveness.

C. National Culture and Subcultures
National culture generalizes (e.g., British culture: English, Scottish, and Welsh).
1. National Culture
    a. Nation-states support and promote the concept of a national culture by building museums and monuments to preserve the legacies of important events and people.
    b. Nation-states intervene to help *preserve* their national cultures.
    c. Companies get involved in supporting culture, in part, for the public relations benefit.
2. Subcultures
    a. A *subculture* is a group of people who share a unique way of life within a larger, dominant culture. It can differ from the dominant culture in language, race, lifestyle, values, attitudes, and so on.
    b. Companies must be mindful of subcultures when formulating business strategies (e.g., China has 50 ethnic groups).
    c. Decisions regarding product design, packaging, and advertising must consider distinct cultures.
    d. Subcultures also can extend beyond national borders.

3. COMPONENTS OF CULTURE
Culture includes what people consider beautiful and tasteful, their underlying beliefs, their traditional habits, and how they relate to one another and their surroundings.

A. Aesthetics
1. *Aesthetics* is what a culture considers to be in "good taste" in the arts, the imagery evoked by certain expressions, and the symbolism of colors.
2. Appropriate colors for advertising, product packaging, and even work uniforms can enhance success (e.g., Green in Islam).
3. Blunders can result from selecting inappropriate colors and symbols for advertising, product packaging, and architecture.
4. Music is deeply cultural and must be considered in promotions.
5. It is also an important consideration in marketing over the Internet.

B. Values and Attitudes
1. *Values* are ideas, beliefs, and customs to which people are emotionally attached. Affect work ethic and desire for material possessions. Some cultures value leisure; others hard work.
2. *Attitudes* are positive or negative evaluations, feelings, and tendencies that individuals harbor toward objects or concepts. Learned from role models and formed within a cultural context. More flexible than values.
3. Attitudes toward Time
    a. Latin American and Mediterranean cultures are casual about time; people in Japan and the United States arrive promptly for meetings and keep tight schedules.

          b.   Americans strive toward workplace efficiency and may leave work early if their work is done because they value individual results. Japanese look busy even when business is slow to demonstrate dedication—an attitude grounded in cohesion, loyalty, and harmony.

     4.   Attitudes toward Work

          a.   Some cultures have a strong work ethic, others stress a balanced pace in work and leisure (e.g., "Work to live, or live to work").

          b.   Many European nations are trying to foster an entrepreneurial spirit to achieve the job growth realized in the United States.

     5.   Attitudes toward Cultural Change

A *cultural trait* is anything that represents a culture's way of life including gestures, material objects, traditions, and concepts.

          a.   *Cultural diffusion* is the process whereby cultural traits spread from one culture to another. Globalization and technology are increasing the pace of cultural diffusion and change.

          b.   *Cultural imperialism* is the replacement of one culture's traditions, folk heroes, and artifacts with substitutes from another.

          c.   Culture can force companies to adjust business policies and practices, such as using situational management.

          d.   Rapid cultural diffusion and increased human interaction across borders cause cultures to converge. Convergence is taking place in some market segments for some products.

C.   Manners and Customs

It is important to understand manners and customs to avoid mistakes abroad. In-depth knowledge improves the abilities of managers.

     1.   *Manners* are appropriate ways of behaving, speaking, and dressing in a culture (e.g., conducting business during meals in the United States).

     2.   *Customs* are habits or ways of behaving in specific circumstances that are passed down through generations in a culture. Customs define appropriate habits or behaviors in specific situations.

          a.   *Folk customs* are behaviors, dating back generations, practiced within a homogeneous group of people (e.g., dragon boat festival in China).

          b.   A *popular custom* is behavior practiced by a heterogeneous group or by several groups (e.g., blue jeans, "burgers 'n fries").

          c.   Although giving token gifts to business and government associates is customary, the proper type of gift varies.

          d.   Cultures differ in their legal and ethical rules regarding bribery. The U.S. Foreign Corrupt Practices Act prohibits companies from giving large gifts to win business favors, applies to U.S. firms operating at home *and* abroad.

D.   Social Structure

Social structure embodies a culture's fundamental organization, including groups and institutions, social positions and relationships, and resource distribution.

     1.   Social Group Associations

A *social group* is a collection of two or more people who identify and interact with one another. Contribute to identity and self-image.
- a. Family
  - i. *Nuclear family* consists of immediate relatives, including parents, brothers, and sisters. Prevails in Australia, Canada, United States, and in Europe.
  - ii. *Extended family* includes grandparents, aunts and uncles, cousins, and relatives through marriage. More important in Asia, Middle East, North Africa, and Latin America.
- b. Gender
  - i. *Gender* refers to socially learned traits associated with, and expected of, men or women. Sociologists regard gender as a category—people who share some status.
  - ii. Countries vary regarding gender equality at work.

2. Social Status
- a. *Social stratification* is the process of ranking people into social layers according to family heritage, income, and occupation.
- b. Top layer: royalty, government officials, and business leaders. Middle layer: scientists, medical doctors, and others with a university education. Bottom layer: manual and clerical workers with vocational training or secondary-school educations.
- c. Rankings can and do change over time.

3. Social Mobility
- a. *Social mobility* is the ease with which individuals can move up or down a culture's "social ladder."
- b. *Caste system*: people are born into a social ranking, with no opportunity for social mobility.
- c. C*lass system*: personal ability and actions decide status and mobility. Highly class-conscious cultures can offer less mobility but experience more class conflict.

E. Religion
Human values often derive from religious beliefs. Different religions take different views of work, savings, and material goods. Beliefs influence competitiveness, economic development, and business strategies.
1. Christianity
- a. Founded in Palestine 2,000 years ago among Jews who believed that Jesus of Nazareth was the messiah. With 2 billion followers, it is the world's single largest religion.
- b. More than 300 denominations but most are Roman Catholic, Protestant, or Eastern Orthodox.
- c. Roman Catholics are to refrain from placing materialism above God and people. Protestants believe that salvation comes from faith in God and that hard work gives glory to God.
- d. Christian organizations sometimes get involved in social causes that affect business policy (e.g., Ryanair, Hyundai).

2. Islam
- a. Founded by Muhammad in 600 A.D. in Mecca, Saudi Arabia—the holy city of Islam. World's second largest religion with 1.3 billion adherents. Word *Islam* means "submission to Allah" and *Muslim* means "one who submits to Allah."

        b.   Religion strongly affects the goods and services acceptable to Muslim consumers (e.g., alcohol, pork, interest on loans).

3.   Hinduism

        a.   Founded 4,000 years ago in present-day India, where more than 90 percent of its nearly 900 million adherents live.

        b.   Some say it is a way of life rather than a religion. Caste system is integral to the Hindu faith. Believe in reincarnation—rebirth of the human soul at the time of death. Do not eat or willfully harm living creatures as they may be reincarnated human souls.

        c.   Cows considered sacred animals so eating beef is not allowed (e.g., McDonald's replaces beef with lamb).

4.   Buddhism

        a.   Founded 2,600 years ago in India by a Hindu prince named Siddhartha Gautama. About 380 million followers, mostly in Asia: China, Tibet, Korea, Japan, Vietnam, and Thailand.

        b.   Promotes a life centered on spiritual rather than worldly matters. Buddhists seek *nirvana* (escape from reincarnation) through charity, modesty, compassion for others, restraint from violence, and general self-control.

5.   Confucianism

        a.   Founded 2,500 years ago by exiled politician and philosopher *Confucius*. China is home to most of the 225 million followers.

        b.   Confucian thought ingrained in the cultures of Japan, South Korea, and nations with large numbers of ethnic Chinese, including Singapore.

        c.   South Korean business practice reflects Confucian thought in its rigid organizational structure and reverence for authority (e.g., Korean-style management in overseas subsidiaries).

        d.   For centuries, people despised merchants because earning money violated Confucian beliefs. Many Chinese moved to Indonesia, Malaysia, Singapore, and Thailand to do business.

6.   Judaism

        a.   Founded more than 3,000 years ago and 18 million followers. Was the first religion to teach belief in one God. Orthodox ("fully observant") Jews make up 12 percent of Israel and constitute an increasingly important economic segment.

        b.   Important observances are Rosh Hashanah (the Jewish New Year), Yom Kippur (the Day of Atonement), Passover (the Exodus from Egypt), and Hanukkah (a victory over the Syrians).

        c.   Employers must be aware of Jewish holidays. Because Sabbath lasts from sundown on Friday to sundown on Saturday, work schedules might need adjustment.

        d.   Marketers must take into account foods banned among observant Jews (e.g., pork and shellfish prohibited, meat stored and served separately from milk) and "kosher" foods.

7.   Shinto

        a.   Means "way of the gods" and arose as the native religion of the Japanese. Teaches sincere and ethical behavior, loyalty and respect toward others, and enjoyment of life. Shinto claims about 4 million strict adherents in Japan.

        b.   Shinto beliefs are reflected in the workplace through lifetime employment (although this is waning today) and the traditional trust extended between firms and customers.

        c.   Japanese competitiveness in world markets has benefited from loyal workforces, low employee turnover, and good labor–management cooperation.

F.   Personal Communication

Every culture has a communication system to convey thoughts, feelings, knowledge, and information through speech, writing, and actions. A culture's spoken and body language can help explain people's thoughts and behaviors.

    1.   Spoken and Written Language

        a. Linguistically different segments of a population are often culturally, socially, and politically distinct.

        b. Companies have made language blunders in their international business dealings.

        c. A *lingua franca* is a third or "link" language that is understood by two parties who speak different languages.

        d. Some languages are dying out, whereas some languages are growing, including Mandarin, Spanish, and English.

    2.   Body Language

        a.   Communicated through unspoken cues, including hand gestures, facial expressions, physical greetings, eye contact, and the manipulation of personal space.

        b.   Communicates information and feelings and differs among cultures. Most is subtle and takes time to interpret.

        c.   Proximity is an element of body language; standing too close may invade personal space and appear aggressive.

G.   Education

Education passes on traditions, customs, and values. Cultures educate young people through schooling, parenting, religious teachings, and group memberships. Families and other groups provide informal instruction about customs and how to socialize with others.

    1.   Education Level

        a.   Excellent basic education attracts high-wage industries that invest in training and increase productivity. Skilled, well-educated workforce attracts high-paying jobs; a poorly educated one attracts low-paying jobs.

        b.   Newly industrialized economies in Asia owe much of their economic development to solid education systems.

    2.   The "Brain Drain" Phenomenon

        a.   *Brain drain*: departure of highly educated people from one profession, geographic region, or nation to another.

        b.   *Reverse brain drain*: professionals return to their homelands.

H.   Physical and Material Environments

These heavily influence a culture's development and pace of change.

    1.   Physical Environment

        a.   *Topography*: all physical features that characterize the surface of a geographic region. Cultures isolated by impassable mountains

or large bodies of water are less exposed to the cultural traits of others and change slowly. Topography impacts product needs.

      b.   Topography impacts personal communication (e.g., mountains and the Gobi Desert consume two thirds of China).

      c.   Climate affects where people settle and directs systems of distribution (e.g., Australian desert, jungles, coastal areas).

      d.   Climate plays a large role in lifestyle, clothing, and work habits, such as organizing production schedules for idled machines.

2. Material Culture

Includes all technology a culture uses to manufacture goods and provide services, and can measure a culture's technological advancement.

      a.   A firm enters a market under one of two conditions: (1) demand for its products has developed, or (2) the market is capable of supporting its production operations.

      b.   Changes in material culture can change other aspects of culture.

      c.   Many nations display uneven levels of material culture across geography, markets, and industries.

4. CLASSIFYING CULTURES

People in different cultures respond differently in similar business situations. Two ways to classify cultures based on characteristics such as values, attitudes, and social structure.

A. Kluckhohn–Strodtbeck Framework

The *Kluckhohn–Strodtbeck Framework* compares cultures along six dimensions, asking the following questions:

1. Do people believe that their environment controls them, that they control the environment, or that they are part of nature?

2. Do people focus on past events, on the present, or on the future implications of their actions?

3. Are people easily controlled and not to be trusted, or can they be trusted to act freely and responsibly?

4. Do people desire accomplishments in life, carefree lives, or spiritual and contemplative lives?

5. Do people believe that individuals or groups are responsible for each person's welfare?

6. Do people prefer to conduct most activities in private or in public?

      a.   Dimensions of Japanese Culture:

          i.   Japanese believe in a delicate balance between people and environment that must be maintained.

          ii.   Japanese culture emphasizes the future.

          iii.   Japanese culture treats people as quite trustworthy.

          iv.   Japanese are accomplishment oriented for employers and work units.

          v.   Japanese culture emphasizes individual responsibility to the group and group responsibility to the individual.

          vi.   The culture of Japan tends to be public.

B. Hofstede Framework

The *Hofstede Framework* grew from a study of more than 110,000 people working in IBM subsidiaries by Dutch psychologist Geert Hofstede. He developed five dimensions for examining cultures.

1. *Individualism versus Collectivism*: Identifies the extent to which a culture emphasizes the individual versus the group.
    a. Individualist cultures value hard work, entrepreneurial risk-taking, and freedom to focus on personal goals.
    b. Collectivist cultures feel a strong association to groups, including family and work units. The goal is to maintain group harmony and work toward collective rather than personal goals.
2. *Power Distance*: Identifies the degree to which a culture accepts social inequality among its people.
    a. Large power distance is characterized by inequality between superiors and subordinates. Organizations are hierarchical, with power derived from prestige, force, and inheritance.
    b. Small power distance means equality, with prestige and rewards equally shared between superiors and subordinates. Power derives from hard work and is considered more legitimate.
    c. Refer to Figure 2.2. Tight grouping of nations within the five clusters (plus Costa Rica): African, Asian, Central and South American, and Middle Eastern nations in Quadrant 1 (cultures with large power distance and lower individualism). Quadrants 2 and 3 include Australia and the nations of North America and Western Europe (cultures high in individualism and smaller power distance scores).
3. *Uncertainty Avoidance*: Identifies the extent to which a culture avoids uncertainty and ambiguity.
    a. Cultures with large uncertainty avoidance value security, place faith in strong systems of rules and procedures, have lower employee turnover, formal rules for employee behavior, and more difficulty implementing change.
    b. Low uncertainty avoidance cultures are more open to change and new ideas.
    c. Refer to Figure 2.3. Quadrant 4 contains nations characterized by small uncertainty avoidance and small power distance, including Australia, Canada, Jamaica, the United States, and many Western European nations. Quadrant 2 contains many Asian, Central American, South American, and Middle Eastern nations —nations having large power distance and large uncertainty avoidance indexes.
4. *Masculinity versus Femininity*: Identifies the extent to which a culture emphasizes masculinity versus femininity.
    a. Cultures scoring high are characterized by personal assertiveness, accumulation of wealth, and entrepreneurial drive.
    b. Cultures scoring low have relaxed lifestyles, with more of a concern for others than material gain.
5. *Long-Term Orientation*: Indicates a society's time perspective and an attitude of overcoming obstacles with time. It attempts to capture the differences between Eastern and Western cultures.
    a. Cultures scoring high (strong long-term orientation) value respect for tradition, thrift, perseverance, and a sense of personal shame.

b.   Cultures scoring low are characterized by individual stability and reputation, fulfilling social obligations, and reciprocation of greetings and gifts.

5.   BOTTOM LINE FOR BUSINESS
In this chapter we discussed many of the cultural differences among nations that affect international business. We saw how problems can erupt from cultural misunderstandings and learned how companies can improve their performance with cultural literacy. Localizing business policies and practices can promote success. Understanding a people's values, beliefs, rules, and institutions makes managers more effective at their jobs.

Quick Study Questions

Quick Study 1

1.   Q: *Define culture. How does ethnocentricity distort one's view of other cultures?*
A: *Culture* is the set of values, beliefs, rules, and institutions held by a specific group of people. *Ethnocentricity* is the belief that one's own ethnic group or culture is superior to that of others. Ethnocentricity distorts people's views of other cultures because it views other cultures in terms of their own culture. Thus, it causes one to overlook important human and environmental differences among cultures.

2.   Q: *What is cultural literacy? Why should businesspeople understand other cultures?*
A: *Cultural literacy* is detailed knowledge about a culture that enables people to live and work within it. Globalization is one force creating the need for cultural literacy because it is knitting business activities in various countries more closely together than ever before. Cultural literacy improves the ability of managers to manage employees, market products, and conduct negotiations in other countries. It also helps managers modify products and management techniques to better suit local markets.

3.   Q: *How do nation-states and subcultures influence a people's overall cultural image?*
A: First, we are conditioned to think in terms of national culture. Nation-states promote the concept of national culture by building museums and monuments to preserve the legacies of important events and people in their histories. This reaffirms the importance of national culture to citizens and organizations. Nation-states also intervene in business to help preserve their national cultures. Second, a *subculture* is a group of people who share a unique way of life within a larger, dominant culture. Although we often overlook important subcultures in forming our impressions of other national cultures, they are extremely important to conducting business abroad.

Quick Study 2

1.   Q: *What is meant by a culture's aesthetics? Give several examples.*
A: *Aesthetics* are what a culture considers to be "good taste" in the arts, the imagery evoked by certain expressions, and the symbolism of certain colors. An example of aesthetics with respect to good taste in music is playing polka music in central European nations including the Czech Republic, Poland, and Slovakia. An example with respect to the arts in the Czech Republic is the production of fine glassware through the art of glass

blowing. An example of good taste with respect to dance is the ritualistic dancing of the native Australian Aborigines.

2.   Q: *Compare and contrast values and attitudes. How do cultures differ in their attitudes toward time, work, and cultural change?*
A: *Values* are ideas, beliefs, and customs to which people are emotionally attached. People hold as values only those ideas, beliefs, and customs extremely important to them. *Attitudes* are positive or negative evaluations, feelings, and tendencies that individuals harbor toward objects or concepts. People harbor attitudes toward things that are important and unimportant to them.

        Certain cultures are more relaxed in their attitudes toward time whereas others are more rigid. For example, Latin American and Mediterranean cultures tend to be relaxed toward the use of time whereas Northern Europe and the United States tend to keep far tighter schedules.

        Some cultures see work strictly as a means to an end whereas others see work as an end in itself. Attitudes toward work also then influence people's attitudes toward time. For example, in France where people tend to take a relaxed attitude toward work, attitudes toward time are quite flexible. The opposite is true in Japan.

        Some cultures readily accept the cultural traits of other nations, whereas others are more wary. Yet globalization and technological advancements are increasing the pace of cultural change.

3.   Q: *Describe the process of cultural diffusion. Why should international businesses be sensitive to charges of cultural imperialism?*
A: A *cultural trait* is anything that represents a culture's way of life, including gestures, material objects, traditions, and concepts. The process whereby cultural traits spread from one culture to another is called *cultural diffusion*. This process is natural, yet gradual.

        Cultures not open to the cultural traits of other nations typically fear that those traits will harm their own values. *Cultural imperialism* is the replacement of one culture's traditions, folk heroes, and artifacts with substitutes from another. Companies must be sensitive to charges of cultural imperialism because they can result in laws designed to protect the local culture. Such laws can render a market opportunity infeasible.

Quick Study 3

1.   Q: *How do manners and customs differ? Give examples of each.*
A: *Manners* are appropriate ways of behaving, speaking, and dressing in a culture. *Customs* are habits or ways of behaving in specific circumstances that are passed down through generations in a culture. They differ from each other in that manners apply generally in a culture whereas customs apply to specific situations.

        An example of good manners is behaving in a modest manner and dressing conservatively in Japan. An example of a custom is the practice of arranging marriages on the behalf of children in India—just as it was a widespread custom across Europe several or more generations ago. Another custom is the playing of cricket in Britain and its former colonies including India and Australia.

2.   Q: *List several manners to consider when doing business abroad.*
A: Several tips include respecting formalities, adapting to personal space, respecting religious values, giving and receiving business cards respectfully, using comedy sparingly, and maintaining good posture.

3.   Q: *Define folk and popular customs. How can a folk custom become a popular custom?*
      A: A *folk custom* is behavior often dating back several generations that is practiced within a homogeneous group of people. A *popular custom* is behavior shared by a heterogeneous group or by several groups. Folk customs can become popular customs through the process of cultural diffusion.

4.   Q: *Define social structure. How do social rank and social mobility affect business?*
      A: *Social structure* is a culture's fundamental organization, including its groups and institutions, its system of social positions and their relationships, and the process by which its resources are distributed. *Social status* (or *rank*) refers to the social layers or classes into which people are classified. Social rank affects business in that the type of occupation a person has often determines or heavily influences their social standing.
      Social mobility is the ease with which individuals can move up or down a culture's social ladder. Social mobility is severely restrained in a caste system but quite free in most class systems. Social mobility can influence business activities in caste cultures because certain occupations can be off-limits for certain groups of people. Also, someone from a lower caste generally cannot supervise a member from a higher caste because personal conflict will likely occur. Systems that do not allow a great deal of social mobility tend to be characterized by greater labor–management conflict because workers often consider them unfair. Also, people can be hesitant to work hard in systems that do not reward hard-working individuals with social mobility. On the other hand, increased productivity and economic development often characterize systems that reward hard work with social mobility.

Quick Study 4

1.   Q: *What are the main beliefs of each of the seven religions presented in the previous sections?*
      A: The Roman Catholic faith asks its followers to refrain from placing material possessions above God and others. Protestants believe that salvation comes from faith in God and that hard work gives glory to God—a tenet known widely as the "Protestant work ethic."
      Religion strongly affects the kinds of goods and services acceptable to Muslim consumers. Islam, for example, prohibits the consumption of alcohol and pork. Popular alcohol substitutes are soda pop, coffee, and tea. Substitutes for pork include lamb, beef, and poultry (all of which must be slaughtered in a prescribed way so as to meet *halal* requirements).
      Hindus believe in reincarnation—the rebirth of the human soul at the time of death. For many Hindus the highest goal of life is *moksha*—escaping from the cycle of reincarnation and entering a state of eternal happiness called *nirvana*. Strict Hindus do not eat or willfully harm any living creature because it may be a reincarnated human soul.
      Buddhists also seek *nirvana* (escape from reincarnation) through charity, modesty, compassion for others, restraint from violence, and general self-control.
      Confucian thought is based partly upon rigid organizational structure and unswerving reverence for authority.
      Judaism is the oldest religion to believe in one God and foods that are banned among strict Jews include pork and shellfish (such as lobster and crab). Meat is stored and served separately from milk. Other meats must be slaughtered according to a practice called *shehitah*. Meals prepared according to Jewish dietary traditions are called *kosher*.
      Shinto teaches sincere and ethical behavior, loyalty and respect toward others, and enjoyment of life.

2. Q: *In what ways does religion affect international business activities?*
    A: Knowing the principles of each religion wherever a firm operates can help reduce cultural conflict. Different religions take different views of work, savings, and material goods. Understanding why they do so may help us to understand why companies from certain cultures are more competitive in the global marketplace. It also may help us understand why some countries develop more slowly than others. Knowing how religion affects business practices is especially important in countries with religious governments.

3. Q: *Identify the dominant religion in each of the following countries: (a) Brazil, (b) China, (c) India, (d) Ireland, (e) Mexico, (f) Russia, and (g) Thailand.*
    A: (a) Christianity—Roman Catholic; (b) Chinese—Buddhist, Taoist, and Confucian; (c) Hinduism; (d) Christianity—Roman Catholic; (e) Christianity—Roman Catholic; (f) Christianity—Eastern Orthodox; and (g) Buddhism—Southern Buddhist.

Quick Study 5

1. Q: *Define communication. Why is knowledge of a culture's spoken language important for international business?*
    A: *Communication* is a system of conveying thoughts, feelings, knowledge, and information through speech, writing, and actions. Gaining knowledge of a culture's spoken language is important for international managers because this knowledge provides insight into why people think and act the way they do.

2. Q: *Describe the importance of a* lingua franca *to conducting international business.*
    A: A *lingua franca* is a link language that is understood by two parties who speak different native languages. English is the *lingua franca* of global business, higher education, diplomacy, science, popular music, entertainment, and international travel. More than 70 nations give a special status to English (including India, Nigeria, and Singapore) and roughly one quarter of the world's population is fluent or competent in it.

3. Q: *Why is body language influential for international business? Give several examples.*
    A: Body language is important because it reflects cultural communication styles through unspoken movements. It communicates through hand gestures, facial expressions, physical greetings, eye contact, and the manipulation of personal space. Like spoken language, it communicates both information and feelings and differs greatly from one culture to another. Italians, for example, animate conversations with lively hand gestures and other body motions. Japanese and Koreans, although more reserved, communicate just as much information through their own body languages; a look of the eye can carry as much or more meaning as two flailing arms.

Quick Study 6

1. Q: *Why is the education level of a country's people important to international companies?*
    A: Multinational firms often rely on education statistics to determine whether a culture represents a good market for their products or a good location for production or assembly facilities. Such statistics also help companies determine how to promote products to potential customers after the decision is made to enter a market. Finally, a highly educated workforce typically attracts high-paying jobs in many high-tech industries.

2.   Q: *What is meant by the terms brain drain and reverse brain drain?*
        A: *Brain drain* is the departure of highly educated people from one profession, geographic region, or nation to another. *Reverse brain drain* occurs when a profession, region, or nation lures back these highly educated professionals.

3.   Q: *How are a people's culture and physical environment related?*
        A: Two aspects of the physical environment (topography and climate) influence a people's culture. *Topography* is all the physical features that characterize the surface of a geographic region. Topography such as treacherous mountain ranges, large bodies of water, and deserts can increase cultural dissimilarity and hinder cultural diffusion.
           Climate can influence a people's work patterns, such as when people in hot climates take breaks of one or two hours in the middle of the day to rest and then return to work in the cooler hours of late afternoon. People in cultures with hot and humid tropical climates wear little clothing to stay as cool as possible. People in cultures with hot and dry sunny climates often wear long, loose-fitting clothing to protect them from intense sunshine and blowing sand. Climate also affects the types of vegetation and animals living in a specific region and therefore influences a people's diet.

4.   Q: *What is the significance of material culture for international business?*
        A: All the technology employed in a culture to manufacture goods and provide services is called *material culture*. Changes in material culture often cause changes in other aspects of a people's culture. An increasingly sophisticated material culture dictates rising incomes and a greater emphasis on material goods and, even, the development of a consumer culture. Material culture is often uneven across a culture and can result in different regions developing at far different paces.

Quick Study 7

1.   Q: *What six dimensions comprise the Kluckhohn–Strodtbeck framework for classifying cultures?*
        A: This framework captures the essence of a culture by answering six questions:
        • Do people believe that their environment controls them, that they control the environment, or that they are part of nature?
        • Do people focus on past events, on the present, or on the future implications of their actions?
        • Are people easily controlled and not to be trusted, or can they be trusted to act freely and responsibly?
        • Do people desire accomplishments in life, carefree lives, or spiritual and contemplative lives?
        • Do people believe that individuals or groups are responsible for each person's welfare?
        • Do people prefer to conduct most activities in private or in public?

2.   Q: *What are the five dimensions of the Hofstede framework for classifying cultures?*
        A: The *Hofstede framework* applies the following five dimensions to analyze cultures:
        • *Individualism versus collectivism*: Identifies whether a culture holds individuals or the group responsible for each member's welfare.
        • *Power distance*: Describes the degree of inequality between a culture's people in different occupations.
        • *Uncertainty avoidance*: Identifies a culture's willingness to accept uncertainty

about the future.

- *Achievement versus nurturing (quantity versus quality of life)*: Cultures focused on quantity of life emphasize accomplishments such as power, wealth, and status. Cultures that stress quality of life generally have more relaxed lifestyles and people are more concerned with cultivating relationships and the general welfare of others.
- *Long-term orientation*: Indicates a society's time perspective and an attitude of overcoming obstacles with time. It attempts to capture the differences between Eastern and Western cultures.

3. Q: *Briefly explain how each framework can be used to analyze a culture.*
A: Both the Kluckhohn–Strodtbeck and Hofstede frameworks can be employed to analyze a culture by assessing each dimension on an individual basis. After determining how the selected culture scores along each cultural dimension, a more comprehensive determination of the compatibility with the foreign culture with your own cultural values can be analyzed. It is important to understand the specific cultural differences between two cultures, such as the difference in individualism between the United States and Japan, prior to establishing a relationship with a foreign firm or establishing a policy for a joint venture agreement.

Talk It Over

1. Q: *Two students are discussing the various reasons why they are not studying international business. "International business doesn't affect me," declares the first student. "I'm going to stay here, not work in some foreign country." "Yeah, me neither," agrees the second. "Besides, some cultures are real strange. The sooner other countries start doing business our way, the better." What counterarguments can you present to these students' perceptions?*
A: First, students should present a counterargument to the statement that international business does not affect them if they do not work in another country. Today, international business reaches deep into nearly every domestic economy. It affects the foods we consume, the movies we watch, the cars we drive, the computers we use, the clothing we wear, and so on. Chapter 1 explains how every national business environment is affected by events occurring in other nations. Second, students should recognize the emphasis on the words "foreign" and "strange." This betrays an ethnocentric bias in which anyone or anything from other countries is considered "foreign" and different ways of thinking or acting is considered "strange."

2. Q: *In this exercise, two groups of four students each will debate the benefits and drawbacks of individualist versus collectivist cultures. After the first student from each side has spoken, the second student questions the opponent's arguments, looking for holes and inconsistencies. A third student attempts to reply to these counterarguments. Then, a fourth student summarizes each side's arguments. Finally, the class votes on which team presented the more compelling case.*
A: First, students should question the origins of these terms. Students' statements may be biased depending on their cultural origins or those of their parents. The culture of Greece is very different from many of those found in Northern and Western Europe, such as Germany. They differ in their attitudes toward the use of time and the pace of work. This is at least somewhat affected by the fact that Greece is extremely warm for nearly one-

half of the year. German culture places an emphasis on punctuality and hard work whereas Greek culture places greater emphasis on enjoying as much free time as possible. These differences reflect different underlying values in the two cultures. German culture tends to emphasize quantity of life accomplishments whereas Greek culture focuses on quality of life measures. German culture is also more open to risk-taking (small uncertainty avoidance) than Greece and is characterized by greater individualism that tends to promote entrepreneurial drive. Throughout the debate, students should give specific examples to support their general statements. An instructor may want to point out inaccuracies in students' statements prior to voting, and note that any statements do not imply the superiority of one culture over another.

Teaming Up

1.   Q: *Research Project. Select a company in your city or town that does business internationally and make an appointment to interview the owner or a senior manager. Your team's goal is to learn how cultural differences affect the decisions of this business as it pursues international opportunities. How does the company balance the need for global efficiency and local responsiveness in a cultural sense? Has local culture ever required the company to alter its personnel or corporate practices? Be sure to ask your interviewee for specific examples. Present a brief talk or paper on your group's interview findings.*
A: Students may want to use the content of this chapter as a guide to create the questions they will ask the interviewee. Students should include in their report a full account of the cultural elements their interview uncovers. Student teams may also enjoy comparing their findings to look for similarities and differences among companies.

2.   Q: *Market Entry Strategy Project. This exercise corresponds to the MESP online simulation. For the nation you are studying, list several of its people's manners and customs. What values do people hold dear? Describe their attitude toward time, work, and cultural change. What religions are practiced there? What language(s) are spoken? What ethnicities reside in the nation, and do they form distinct subcultures? Describe the nation's social structure and its education system. Turn to Figures 2.2 and 2.3 and either (a) explain why you think the nation appears where it does, or (b) identify where you think it belongs on the figure and explain why. Integrate your findings into your completed MESP report.*
A: This may be a good time to get students working on their Market Entry Strategy Project. This exercise gets students to learn more about a country, and to generate interest in countries other than their own. The project focuses on important aspects of each country and the process can begin to develop teamwork in the course.

Take It to the Web

We invite you to visit MyManagementLab.com, an innovative set of course-management tools for delivering all or part of your course online. MyManagementLab makes it easier for you to add meaningful assessment to your course. Whether you're interested in testing your students' recall of concepts and theories or in asking them to apply their new knowledge to real-world scenarios, MyManagementLab offers a variety of assessment questions to fit your needs.

Ethical Challenges

1. **This item can be assigned as a Discussion Question in MyManagementLab. Student responses will vary.** Q: *You are the vice president of operations for a U.S.-based software firm. Your firm's board of directors wants you to explore building a software-design operation in India. Typically, when international firms enter the Indian market, they quickly learn about the various ways in which a rigid caste system can affect business activities. Do you think it will be possible to uphold a U.S. management style in India? Or should your company be prepared to adjust to the local Indian managerial style and human resource practices?*

   A: Students must understand that understanding cultural differences is crucial to developing strong relationships. The question in this vignette poses a real dilemma for international companies operating in India. Local management practices can be very different from the company's practices in its home country. The response by most companies is to implement the home country policies but to adapt them to the local market. This is probably best accomplished by placing as head of the Indian operation an Indian-born employee that has worked for the company in the home country who understands the corporate culture. This manager would know what policies can or cannot be implemented in the Indian subsidiary.

2. Q: *You are the public relations director for a company that recently announced its decision to close its factory in the United States and outsource the work to manufacturers in Asia and Latin America. Your firm is doing just what many other companies have already done, reducing labor costs by shifting work to low-wage countries such as China, India, Mexico, and Central American nations. Yet the media and disgruntled workers are lambasting your firm's decision. Is there a reasonable response to charges that the companies you will hire frequently exploit child labor, force women to work 75-hour weeks, and destroy family units?*

   A: As the head of Public Relations, this will be a challenging ordeal. Emphasis must be placed on the many positive outcomes of the outsourcing decision. Issues such as keeping retail prices low, increasing shareholder wealth, adhering to local laws abroad, and creating foreign jobs can be discussed. Moreover, students should first of all recognize the bias in this statement. Many companies relocate labor-intensive operations to low-wage countries. But they also involve themselves in the local community to better people's lives, not exploit workers at the expense of education and family. They do this because human rights groups are active in every country and closely monitor the activities of multinational firms. If they abuse the rights of local workers, they receive a great deal of bad publicity in the home country—hurting their reputation and, perhaps, sales. Firms also do it because they recognize how important an educated, healthy, and happy workforce is to productivity.

Practicing International Management Case

A Tale of Two Cultures

1.   Q: *If your international firm were doing business in Asia, would you feel partly responsible for these social trends? Is there anything that your company could do to ease the tensions these cultures are experiencing? Be specific.*
     A: This question presents students with an ethical dilemma. Some students will say that their company is in business to earn a profit and that Asian consumers are not being forced to buy Western goods—they make a conscious decision when they make a purchase. Other students will feel a sense of responsibility to those societies in which they market their products. These students will want to suggest ways to lessen tensions in those societies. Some possibilities for this include doing charity work to help people suffering economic difficulties, financially supporting and giving employees time off to do volunteer work for cultural fairs and festivals, and making counselors available in the company to help employees with their troubles.

2.   Q: *In your opinion, is globalization among the causes of the increasing incidence of divorce, crime, and drug abuse in Asia? Why or why not?*
     A: Many students will agree that the forces of globalization are exposing people in all countries to new ways of thinking and behaving. However, many social ills are not a direct result of globalization, but of other forces causing social change. Drug use is certainly not a new problem in most countries—opium has been used across Asia for centuries. Also, many women in Asian cultures are no longer financially dependent on their spouses because of the growing employment of women in the workforce. Thus when marital problems arise, divorce can be a viable option unlike in the past. This is not a Western phenomenon being spread by globalization, but one tied to economic development and industrialization more generally.

3.   Q: *Broadly defined, Asia comprises more than 60 percent of the world's population—a population that practices Buddhism, Confucianism, Hinduism, Islam, and numerous other religions. Thus, do you think it is possible to carry on a valid discussion of "Asian" values? Why or why not?*
     A: Clearly, there are important and significant differences between Asian societies. But some values tend to be Pan-Asian, including the extended family concept—in contrast to the nuclear family concept in Western cultures. Also, respect for community elders is deeply ingrained throughout Asia—unlike the Western emphasis on youth and vitality (most pronounced in the United States). Thus, certain cultural elements can be discussed as "Asian" just as we identify certain concepts and behaviors as "Western." But the validity of generalizing about "Asian values" depends on the depth of the discussion. The deeper we explore Asian cultures, the more differences we uncover.

4.   Q: *Consider the following statement: "Economic development and capitalism require a certain style of doing business in the twenty-first century. The sooner Asian cultures adapt the better." Do you agree or disagree? Explain.*
     A: The statement is clearly biased toward Western management practices. But it is true that many companies worldwide are learning Western business principles. Companies are trying to instill a drive toward greater efficiency and are showing a greater appetite for trying new management techniques. The shift toward Western management principles in Asia was seen during the Asian economic crisis: Governments passed laws forcing greater transparency among companies and banks, and U.S. and other Western companies bought bankrupt Asian companies and radically altered how they were run. But no matter how rapid the pace of change, Asian companies will always retain practices that make them unique.