

## Cultural Language of Business

### Summary

Cultural misunderstandings can kill your business negotiations. Learn about different cultural dimensions, superstitions and proper etiquette for doing business internationally.

### Introduction

Welcome to the LA Export Series podcasts brought to you by the El Camino College Center for International Trade Development. Each podcast will focus on a specific export topic presented by an industry expert. Our complete series will walk you through the trade process from getting started to getting paid and delivering the goods.

In this session we will discuss the Cultural Language of Business. Cultural misunderstandings can kill your business negotiations. Learn about different cultural frameworks and proper etiquette for doing business internationally.

### Presenter: Lilia Navarrete

Our Presenter is Lilia Navarrete, President & CEO, LKN Global Enterprises, Inc. Lilia Navarrete is the founder and President of LKN Global Enterprises, Inc. With more than 20 years of experience identifying leading trends in the global marketplace, Ms. Navarrete facilitates business relationships across industries and borders. She has a background in international transportation and cross-cultural communication.

Ms. Navarrete holds multiple leadership positions with various Board's and International Committees including the Los Angeles Area Chamber of Commerce World Trade Week Committee, The International Alliance for Women, Organization of Women in International Trade, and the National Association of Women Business Owners. She is also an adjunct professor at Pepperdine University's Graziadio School of Business & Management in Malibu, California.

Ms. Navarrete holds an international MBA in Finance and Marketing from Loyola Marymount University together with an undergraduate degree in International Business Management and Economics from California State University Los Angeles.

### Why It's Important To Know About Culture

Why is it Important to Know About Culture When Exporting

As mentioned on a previous podcast talking about Export Knowledge, you must have some cultural competence to avoid export blunders that can have dangerous consequences and be very costly. Understanding the values, attitudes and behaviors of people from various countries is key to knowing how to do business with them.

Cultural awareness or cultural intelligence is increasingly being viewed as a critical skill in securing success internationally. Clear and effective communication is necessary.

It has been said that information concerning culture is the most important ingredient to international business decision making, including decisions as to which foreign markets you should enter.

When you export, using cultural awareness appropriately can give you real competitive advantage. Understanding cultural differences can mean success or losing the deal at the first meeting. It can create a huge impact on your reputation and the way your business is viewed by your counterpart.

To grasp the intricacies of foreign markets, it is imperative to get a deep understanding of cultural differences and similarities. Knowledge of the cultural environment of any foreign market matters. Cultural forces represent the primary determinants of any given firm's international marketing strategy and programs.

Cross-cultural differences are the potential areas of misunderstanding and misinterpretation during the course of a negotiation. Consumer needs, buyer behavior and the use or the misuse of "people skills" are largely driven by cultural norms. It is important to identify and understand the cultural misinterpretation of non-verbal message during the course of exchanging information and expectations.

How you deal with the cultural differences can make or break your business success. Your mastery of culture will enhance your competence in all areas of your export business

With a greater awareness of different cultures, you immediately become more effective in doing business abroad. Having an insight into how another culture think and behave allows you to tailor your approach and maximize your potential.

### Integrating Cultural Intelligence To Export Plan

Integrating Cultural Intelligence to your Export Plan

A nation's cultural orientation is typically unique. This may mean new ways of making business contacts, building a business relationship, negotiating an agreement and executing that agreement.

Once you have perceived that your export market has the necessary demand, determined it is legally open to do business, is politically stable, and you have determined it is evolving and has long-term potential based on its economic stability and level of infrastructure, it is then that you consider the culture of your potential market. At this time, it is recommended that you compile and integrate cultural intelligence in your exporting plan before communicating, negotiating, selling, and advertising your product.

### What Is Culture?

What is Culture?

What is culture? To lay the groundwork for our discussion on the importance of cross-cultural communication when exporting, I'll offer some common definitions.

"Culture refers to the socially transmitted values, beliefs and symbols that are more or less shared by members of a social group."

"Culture is a common system of knowledge and experiences that result in a set of rules or standards; these rules and standards in turn result in behavior and beliefs that the group considers acceptable."

### **Business Implications Across Different Cultures**

Business Implications Across Different Cultures

Because each culture has its own set of rules and traditions, the way each perceives any type of communication, behavior, negotiation styles and decision making will be different.

These differences are precisely what may cause the misunderstandings and miscommunications and dictate whether we will be successful with our international business. They affect how we act with one another across borders, how we address each other, formally or informally using titles or first names, how we manage people, how we prepare our negotiations and accept how others negotiate and keep a level playing field. And, of course very important, it will determine if we build strong relationships or end our business at even the first meeting.

### **Applying Cultural Theories And Frameworks**

Gaining Understanding and Applying Cultural Theories and Frameworks

Going beyond the first stage of realizing people function and behave differently based on their cultures, we can then take a step further and understand how we can apply Cultural theories and frameworks that have been developed by anthropologists and researchers to ensure our export business is successful.

### **Hall's Time Orientation**

Hall's Time Orientations

One of the most useful frameworks is that of Edward Hall. He determined that cultures usually fall under two categories when it relates to time. They are either monochronic or polychronic.

The monochronic approach emphasizes "schedules, segmentation, and promptness," while the polychronic approach is "characterized by several things happening at once."

Monochronic persons tend to do things one at a time, have a high need for closure for one task before moving to the next .

Polychronic persons "attempt to do a number of things simultaneously,". They stress "involvement of people and completion of transactions rather than adherence to preset schedules."

The U.S., British, German, Swiss, and Scandinavian cultures are relatively monochronic, while Latin American, African, Middle Eastern, and Southern European societies are polychronic.

### **Hall's Communication Style**

Hall's Communication Styles and Contexting

Hall also determined that cultures are either of high or low context. This concept addresses the amount of information contained in the context rather than in the transmitted message itself.

In high context cultures, there is an expectation of shared knowledge, the information is implicit, and the communication is less direct. Even though a person may not have said anything directly, others are still expected to understand the unspoken message. In contrast, "in a low context culture . . . information is explicit; procedures are explained, and expectations are discussed," and a literal, direct style of communication is seen.

The United States, Germany, Switzerland and other Northern European countries are considered to be low context, in contrast to the high context seen in cultures like Japan, China, Mexico and other Latin American countries, African, Arabian and Mediterranean countries.

### **Application Of Hofstede's Cultural Constructs**

Practical Application of Hofstede's Cultural Constructs

Hofstede attempted to find out the factors which can explain cultural differences in behaviors. And he classified countries based on five dimensions:

The Power Distance Index is an incredibly important measure of how a person in a country would generally react to an authoritarian figure. It focuses on the degree of equality, or inequality, between people in the country's society and the extent to which individuals in an organizational setting expect there to be unequal power distribution, and the respect they confer onto these differences.

For example, in some Southeast Asian cultures, there is a high power distance index rating, meaning that positions of power are tremendously respected, and the unequal distribution of power is both expected and accepted. In the U.S. culture, there is a low power distance index rating, where individuals expect more equal treatment and distribution of power, along with increased mobility within the power structure.

The Uncertainty Avoidance focuses on the level of tolerance for uncertainty and ambiguity within the society - i.e. unstructured situations. This should not be confused with risk avoidance. There are cultures, such as the German culture, that rank high on uncertainty avoidance index because they dislike uncertainty and ambiguity and they like structure, however, that does not mean they will not risk. If they know something is a risk and what the risk means, they are ok with that.

Individualism is an index that can impact communication styles between cultures. It focuses on the degree the society reinforces individual or collective, achievement and interpersonal relationships. In individualistic societies, communication places a higher emphasis on the importance and welfare of the individual, like personal success and promotions. In collectivist societies, communication places a higher emphasis on the welfare and success of the group, such as team accomplishment and company growth. Business partners from collectivist cultures are more likely to have a positive response to a sales pitch that highlights the benefits for organizations, whereas partners in individualistic societies may respond better to how the pitch will directly affect their own success.

To further understand your foreign counterpart is to understand Hofstede's factor of Masculinity. The concepts of masculine and feminine communication have less to do with gender constructs than they do a particular style of approaching communicative situations. It focuses on the degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power.

For instance, masculine communicators are often more direct, assertive and task oriented. Feminine communicators often place a higher premium on the relational component of communication, meaning that they will value the connections and level of understanding facilitated through conversation. These cultural differences are incredibly important in a business context, as a masculine communicator may need to adapt their speaking style to avoid coming off as abrasive. Feminine communicators may need to act more assertively when dealing with communicators from a masculine society to ensure that they are taken seriously. To be clear, a woman can be a "masculine communicator" or a man can be a "feminine communicator". Gender does not matter—what matters is the style.

Long-Term Orientation. Whether a culture is long or short term oriented is one of the most important determining factors in communication styles. It focuses on the degree the society embraces, or does not embrace, long-term devotion to traditional, forward thinking values. This aspect indicates the most important values for that society. Long-term oriented cultures value things like saving and perseverance.

### **Legal Issues Worth Losing A Deal For**

Not Just Cultural Differences—Legal Issues Worth Losing a Deal for

There are cultural differences however that are worth losing a deal for. In some countries it is culturally acceptable to use child labor. In other countries bribing government officials is seen as part of the normal course of a tendering process. While refusing to deal with these people will lose you the deal, your stance on human rights and corruption will enhance your reputation with other countries and benefit you more in the long run. It may also avoid costly penalties and keep you out of jail.

The anti-bribery provisions of the Foreign Corrupt Practices Act (FCPA) prohibit making use of interstate commerce corruptly, in furtherance of an offer or payment of anything of value to a foreign official, foreign political party, or candidate for political office, for the purpose of influencing any act of that foreign official in violation of the duty of that official, or to secure any improper advantage in order to obtain or retain business.

The law applies not only to company executives and employees, but also to joint ventures, partners and third parties such as distributors or suppliers. It extends not just to cash bribes but also to extravagant gifts, trips and "anything of value." In recent cases, investigators have cracked elaborate schemes to pay bribes using offshore bank accounts, wire transfers and intermediaries.

Gifts for public officials are best kept to \$20 in value or less and need to be meaningful, i.e., communicate a story behind the business such as a magnifying glass from Toyota with the handle as their very first car model—cleverly it is a useful gift for the higher-level executive and shares the history of their company.

### **Etiquette When Meeting Your Foreign Buyer**

Protocol and Social Etiquette When Meeting Your Foreign Buyer

Ensure you have the competitive edge and you excel at your exporting ventures with international style and grace. You will project an image that reflects upon your corporation, and the wrong image and attitude can be very costly.

There are various guides to business etiquette exporters should consider when meeting foreign buyers. Areas include business meetings, negotiations, communication, relationships, business cards, dining etiquette, gift giving etiquette, as well as business attire.

Solid business relationships are developed and strengthened in social situations, and these are not just nice things to know—they are crucial. For example, in China, during business negotiations, only senior people speak. It is also expected that the U.S. negotiators will be senior level people. Failure to follow this protocol can be costly.

Every country has its different cultural protocol and I recommend you learn them thoroughly before initial communication, meetings and negotiations.

### **Business Meeting Protocol Nuances**

#### Business Meeting Best Practices

Universal skills necessary to develop a successful business include good listening skills, trust, adaptability, and common sense. Some national proficiencies transfer well to the international arena however others are perceived differently. What may be common sense to you may only make sense to us in the home culture.

Before attending your international business meetings, determine the proper protocol, know titles, dress, gift exchange and seating charts.

### **Applying The Theory For A Culturally Smart Export Plan**

#### Applying Theories and Frameworks—Culturally Smart Export Plan

The acquisition of intercultural communication abilities passes through three phases: awareness, knowledge, and skills. Awareness is the first step and is the recognition that each of us carry a particular mental software.

Knowledge is the next step. If we have to interact with particular other cultures, we have to learn about their symbols, their heroes, and their rituals .

Skills are based on awareness and knowledge, plus practice. We have to recognize and apply the symbols of the other culture, recognize their heroes, practice their rituals, and experience the satisfaction of getting along in the new environment.

### **Cultural Competence For Exporters**

#### Benefits of Inter-Cultural Training for Exporters

Intercultural training has become of increasing importance in the past 10 years. Companies and organizations are starting to realize that working in or with foreign countries is not like doing business domestically.

##### 1. Communication

Much of intercultural training is in essence about communicating with people clearly and avoiding misunderstandings. Intercultural training helps people appreciate how culture may impact communication with their colleagues or clients. With this appreciation they are then more able to ensure that what is being said is understood.

##### 2. Productivity and Efficiency

Intercultural training not only assists exporter/importer to work better with each other through developing communication but also in other areas such as management, meetings styles, leadership, reward schemes, retention and recruitment. The result will have a positive impact on productivity and proficiency.

##### 3. Competitive Advantage

An exporter with intercultural skills is always going to have a competitive advantage over their rivals. For example, Exporter A, has sent out a negotiation team that has not done their homework about Chinese culture and etiquette. Exporter B sent a negotiation team that has undergone intercultural training and now appreciates the nuances of topics such as appreciating seniority, greeting, meeting etiquette, communication styles and negotiation tactics. The chances are Company B will get the deal.

##### 4. Long Term Benefits

The businesses that succeed in the future are ones that have people with the right skills, experience, knowledge and understanding. Attaining a certain level of intercultural competence through training and on-the-ground experience provides access to future successes. Exporters who are flexible in manner and open in mind can approach the challenges of working in foreign environments much more easily.

### **Cultural Protocol Resources**

#### Cultural Protocol Resources for Exporters

One way to get you started with the acquisition of intercultural awareness abilities is to utilize resources that will help you gain the needed understanding. The four listed are well-known authorities on culture and protocol. However, there are a variety of resources available including the Dos and Taboos Around the World, Kiss Bow or Shake Hands, Business Strategies International Keys to Success, Kwintessential Global Guides, etc.

### **Thank You For Listening**

Thank you for listening and special thanks to Lilia Navarrete for sharing her valuable time and international business insights. Check out our full line of LA Export Series podcasts on our website [www.Export Assist.org](http://www.Export Assist.org) where you will find information on additional export topics with complementary tools and resources.

### **Credits**

This podcast is brought to you by the El Camino College Business Training Center, a trusted resource delivering high-quality training

and assistance to help meet your need for a more productive and competitive workforce. The Business Training Center is part of the El Camino College Community Advancement Division and is proud to be part of the state's economic development mission to advance California's economic growth and global competitiveness through quality education and services focusing on continuous workforce improvement, technology deployment, and business development. Funding for this podcast was provided by the El Camino College Center for International Trade Development and a Statewide Collaborative for Business Computer Information Systems Education mini-grant from Coastline Community College.

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