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# CHAPTER 1

## THE INTERNATIONAL WAY OF DOING BUSINESS

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*How to understand your own culture and how to behave when dealing with others*

### 1.1 What does culture mean?

Culture has many meanings. Culture can be a way of life for someone, it can be a person's background, or it can simply be many different nationalities coming together as one community. For companies on their way to success in international markets, it is important to have a solid understanding of the general rules of a culture in order to become a trusted commercial partner. Managers who wish to be an effective player in the international arena must learn how to behave abroad as well as in the company's home country. To start off, we want to give the reader some explanations on the phenomenon of interactions between people in general and especially on doing business between different cultures.

#### Definition of culture

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The word "culture" is a concept, which we deal with unconsciously every single day, and it can be described or interpreted in many different ways. The media is filled with articles and books including the word "culture", but what does it mean exactly and how can it be defined? The authors Robert Grosse and Duane Kujawa give the following definition in their book "International Business". "Culture can signify various patterns of behavior values or beliefs, which are the characteristics of a specific community. A community can be a town, a city, a region, a country or even a company."

In comparison, Terpstra and David propose this definition: "Culture is a learned, shared, compelling and interrelated set of symbols, whose meaning provides a set of orientations for members of a society. These orientations taken together provide solutions to problems that all societies must solve if they are to remain viable."

There are several elements that are especially important in order to understand the relationship of cultural matters and global management.

- Culture is learned: It is not innate—people are born into cultures and during childhood, adapt and learn the rules and values of their culture. This also means that it is possible to adapt to a new and different culture.
- Culture is shared: Members of a particular group share various similarities, which are typical for their culture.
- Culture is compelling: The individuals belonging to a certain group are often not aware of their specific behavior resulting from the influence of their culture.

- Culture is interrelated: This means that it is important to study a culture as a whole entity. Specific elements should not be isolated, because they have to be understood in the complete context.
- Culture provides orientation: A particular group often acts in a similar way to an upcoming problem or situation. Examining a culture can help predict the manner in which group members might react.

## **Understanding culture**

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“The first step to understanding another culture is, understanding your own”. This is a very important statement made by Lennie Copeland and Lewis Griggs in their book “Going International”, which was published by Plume Printing in the year 1985 when many US companies were expanding globally.

Many aspects, explanations and examples given in this chapter originate from Copeland and Grigg’s publication, but they can also be identified in many other publications. Culture does not only exist in a region or a country, it can also be a significant part of a company. A company can have its own “corporate culture”. Two international corporations, Proctor & Gamble and IBM, are cited by Copeland and Griggs as companies whose cultures are defined by “the American way of doing business”.

If we take the “American way” as an example, we can identify strong and particular attitudes and behaviors that are common at work. Certain things are silently expected, others are declined, forming a special kind of “American glasses” through which the world is viewed, interpreted and evaluated. Copeland and Griggs see a fundamental problem in wearing “cultural glasses”. As travelers and visitors to other nations, people are often not aware of the frame of reference they are carrying along, whether it is American or some other nationality. When confronted by people who eat, dress, communicate and generally act in unfamiliar ways, travelers have difficulties understanding differences and are not aware of influences from their own values and behaviors.

According to Copeland and Griggs, “cultures are not right or wrong, better or worse, just different”. Cultures are shaped by their own logic, which makes it hard for foreigners to understand and make sense of it. Anthropologists explain this phenomenon to have developed from the different climates, terrains or resources that peoples had to adapt to in the past. Just like animals, “mankind evolved diverse solutions to life’s problems.”

## **Development of culture**

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Two important factors that influence the way a culture develops are geography and history. The following examples demonstrate what impact history had on the United States of America and on Germany.

In America, the pioneer spirit permeates its culture. The philosophy of starting out with nothing and then being able to achieve anything in life, if one just works hard enough, is very typically American. Children grow up with a strong sense of pride for their country, being

taught that America is a unique and special place, and that they are lucky to be growing up in such a great nation. Up until recently, each school day started out with a recitation of the “pledge of allegiance” and the national anthem is played at the beginning of every sports event. In the attitudes and ways of doing business, Americans are guided by this strong sense of patriotism.

On the other hand, Germans of the current generation never learned to be proud of their country. Although National Socialism and World War II are long history, consequences can still be felt. Very few Germans exhibit national pride, and hanging a national flag out of their window, something very common in America, is rarely done. In contrast to American pride, Germans are very careful about what they say or do concerning nationalism. It is no surprise that in business and in private life, the average German does not tend to take big risks in general, preferring security and predictability.

## Problems in Culture

### Cross-cultural misperception

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Every national group sees the world in a different way. Perception is a process by which each individual selects, organizes, and evaluates stimuli from the external environment to provide meaningful experiences for him or herself. Perceptual patterns are neither innate nor absolute. They are selective, learned, culturally determined, consistent, and inaccurate. Perception is selective because there are too many stimuli in the environment for you to observe at one time. Therefore you screen out the overload and allow only selected information through your perceptual screen to your conscious mind. Perceptual patterns are learned; we are not born with a certain way to see the world, but one’s experience teaches him or her how to perceive the world.

Perception is also culturally determined because one’s cultural background influences the way to see the world in a certain way; and perception tends to remain constant. Once you see something in a particular way, you continue to see it that way. Your interests, values, and culture act as filters and lead you to distort, block and even create what you choose to see and hear. You perceive what you expect to perceive according to what you have been trained to see, according to your cultural map. For example, read the following sentence:

Finished files are the result of years of scientific study combined with the experience of years.

If asked to count the number of F’s in the sentence, most non-native speakers see all six F’s whereas many native speakers only see three of them. They do not see the F’s in the word of because it is not an important word in understanding the sentence. Usually we selectively see those words that are important according to our cultural conditioning (in this case, our linguistic conditioning).

## Cross-cultural misinterpretation

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Interpretation happens when an individual gives meaning to observations and their relationships; it is the process of making sense out of perceptions. Interpretation organizes your experience to guide your behavior. Your experience helps you to make assumptions about the things you see so you will not have to rediscover meanings each time you encounter similar situations. For example, you make assumptions about how doors work, based on your experience of entering and leaving rooms; that is why you do not have to relearn each time how and that you have to open a door. Consistent patterns of interpretation like the one mentioned help you to act appropriately and quickly every single day.

Since there are more stimuli coming down on you than you can keep distinct, you only perceive those images that may be meaningful. As said before, you group perceived images into familiar categories that help you to simplify your environment and become the basis for your interpretations. For example, when a driver approaches an intersection, he or she might not see what is happening on the sidewalk, but will definitely notice whether the traffic light is red or green (selective perception). If the light is red, he or she automatically places it in the category of all red traffic signs (categorization) and will stop like prior times (behavior based on interpretation).

Categorization helps you to distinguish what is important in your environment and to behave accordingly; it becomes ineffective when we place people and things in the wrong group. Cross-cultural miss-categorization happens when someone uses his home country categories to make sense out of foreign situations. For example, a Korean businessman entered a client's office in Stockholm and encountered a woman behind the desk. Assuming that she was a secretary, he announced that he wanted to see Mr. Silferbrand. The woman responded by saying that the secretary would be happy to help him. The Korean became confused. In assuming that most women are secretaries rather than managers, he had misinterpreted the situation and acted inappropriately. His category makes sense because most women in Korean offices are secretaries but it proved counterproductive since this particular Swedish woman was not a secretary.

Stereotyping involves a form of categorization that organizes your experience and guides your behavior toward ethnic and national groups. Stereotypes never describe individual behavior; rather they describe the behavioral norm for members of a particular group. For example the stereotype of German businessmen is to be very punctual, busy and ambitious. Stereotypes, like other forms of categories, can be helpful or harmful depending on how one uses them. Effective stereotyping allows people to understand and act appropriately in new situations. But you should always keep in mind that stereotypes are describing a group norm and not the characteristics of a specific individual, that they only describe a group and not evaluate it and that you can and should modify them, based on further observation and experience with the present people and situations.

The problem with stereotyping is that it often leads to prejudice, a pre-judging of people you actually do not even know. In contrast to stereotypes, prejudices are based on emotions and easily translate into feelings of uneasiness and fear.

Even more dangerous than stereotyping and prejudice, certain groups of people feel that they are superior to others. In this state, others are seen as having positions below one's own and that gives rise to making judgments about what is right and wrong according to one's own values. This is called ethnocentrism. This attitude inevitably leads to conflicts with people from other countries, as they will probably think the same about their own culture.

## **Sources of misinterpretation**

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Misinterpretation can be caused by inaccurate perceptions of a person or situation that arise when what actually exists is not seen. It can be caused by inaccurate interpretation of what is seen; that is, by using my meanings to make sense out of reality. For example if a German (businessman) greets his American partner with "Mister" although they have seen each other already, the American categorizes the German as a businessman and interprets his formal behavior to mean that he does not like the American or is uninterested in developing a closer relationship because North Americans maintain formal behavior after the first few meetings only when they dislike or distrust the associates so treated. Culture strongly influences, and in many cases determines, your interpretations. Both the categories and the meanings you attach to them are based on your cultural background. Sources of cross-cultural misinterpretation include subconscious cultural "blindness", a lack of cultural self-awareness, projected similarity, and parochialism (narrow-mindedness).

## **Subconscious cultural blindness**

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Because most interpretation goes on at subconscious level, you lack awareness of the assumptions you make and their cultural basis. Your home culture reality never forces you to examine your assumptions or the extent to which they are culturally based, because you share your cultural assumptions with most citizens of your country. All you know is that things do not work as smoothly or logically when you work outside your own culture as when you work with people more similar to yourself. For example, a Canadian conducting business in Kuwait was very surprised when his meeting with a high-ranking official was not held in a closed office and was constantly interrupted. Since the Canadian-based cultural assumption is that important people have large offices and do not get interrupted, he came to the conclusion that this officer was neither a high ranking one nor interested in conducting the business which might not have been the truth.

## Lack of Cultural Self-Awareness

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Although you think that the major obstacle in international business is to understand the foreigner, the greater difficulty involves becoming aware of your own cultural conditioning. As anthropologist Edward Hall has explained, “What is known least well, and is therefore in the poorest position to be studied, is what is closest to oneself.” You are generally least aware of your own culture characteristics and are quite surprised when you hear foreigner’s descriptions of you. For example, many Germans are surprised to discover that they are seen by foreigners as well-educated, punctual, disciplined... A Newsweek survey reported the characteristics most and least frequently associated with American:

### *Characteristics most often associated with Americans by the populations of*

France	Japan	Germany	Great Britain	Brazil	Mexico
Industrious	Nationalistic	Energetic	Friendly	Intelligent	Industrious
Energetic	Friendly	Inventive	Self-indulgent	Inventive	Intelligent
Inventive	Decisive	Friendly	Energetic	Energetic	Inventive
Decisive	Rude	Sophisticated	Industrious	Industrious	Decisive
Friendly	Self-indulgent	Intelligent	Nationalistic	Greedy	Greedy

### *Characteristics least often associated with Americans by the same populations*

Lazy	Industrious	Lazy	Lazy	Lazy	Lazy
Rude	Lazy	Sexy	Sophisticated	Self-indulgent	Honest
Honest	Honest	Greedy	Sexy	Sexy	Rude
Sophisticated	Sexy	Rude	Decisive	Sophisticated	Sexy

**Figure 1: Associated American Characteristics**

Another very revealing way to understand the norms and values of a culture involves listening to common sayings and proverbs. They tell you what a society recommends and what it avoids. For example does the American proverb *Early to bed, early to rise, makes one healthy, wealthy and wise* indicate the values of diligence and work ethic whereas the proverb *There’s more than one way to skin a cat* indicates originality and determination.

To the extent that you can begin to see yourself clearly through the eyes of foreigners, you can begin to modify your behavior, emphasizing your most appropriate and effective characteristics and minimizing those least helpful. To the extent that you are culturally self-aware, you can begin to predict the effect your behavior will have on others.

## Projected Similarity

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Projected similarity refers to the assumption that people are more similar to you than they actually are, or that a situation is more similar to yours when in fact it is not. Projected similarity particularly handicaps people in cross-cultural situations. For example, you assume that people from the orient who drink Coca-Cola and wear Levi jeans are more similar to you, Western people, than they actually are. When you act based on this assumed similarity, you often find that you acted inappropriately and thus ineffectively. At the base of projected similarity is a subconscious parochialism (narrow-minded behavior). You automatically assume that there is only one way to be—your way. Therefore people often fall into an illusion of understanding while being unaware of their misunderstandings. "I understand you perfectly but you don't understand me" is an expression typical for such a situation. The other possibility is that all communicating parties may wonder later why other parties do not live up to the "agreement" they had reached.

One of the best exercises for developing empathy and reducing parochialism and projected similarity is role reversal. For example, when dealing with a foreign businessman try to imagine the type of family he comes from, the number of siblings he has the social and economic conditions he grew up with, his goals in working for his organization his life goals and so on. Asking these questions forces you to see the other person as he or she really is, and not as a mere reflection of yourself. It forces you to see both the similarities and the differences. Moreover it encourages highly task-oriented businesspeople such as Americans or Germans, to see the foreigner as a whole person rather than someone with a position and a set of skills needed to accomplish a particular task.

## Cross-cultural misevaluation

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Even more than perception and interpretation, cultural conditioning strongly affects evaluation. Evaluation involves judging whether someone or something is good or bad. Cross-culturally, you use your own culture as a standard of measurement, judging that which is like your own culture as normal and good and everything, which is different as abnormal and bad. Your own culture becomes a self-reference criterion: since no other culture is identical to your own, you tend to judge all other cultures as inferior. A common mistake made by Americans for example is that they affiliate with personnel or business contacts because they speak English. It is totally wrong to assume that speaking your language indicates intelligence, business know-how or local competence; it is only an indication of language skills. Evaluation rarely helps in trying to understand or communicate with people from another culture.

To sum it up, what you should consider to have an effective cross-cultural communication is to assume difference until similarity is proven rather than the reverse, instead of interpreting or evaluating a situation you should just observe what is actually said and done and try to see a foreign situation through the eyes of your foreign colleagues (role reversal) and last but not least once you develop an explanation for a situation treat this explanation as a guess and not

as a certainty and check it with other foreign and home country colleagues to find out whether it is plausible.

## 1.2 Problems occurring in International Business

What are some basic cultural problems encountered in doing international business? To start off with, it is necessary to adopt the attitude that no point of view, especially one's own is the norm everywhere. The "cultural glasses" that was referred to earlier must be left on the table so that each situation can be approached without assumptions and expectations. International business people will be confronted with different kinds of thinking and behavior in all elements of work: communication, selling strategies, marketing, to name a few. The clearer the view, the more effective results will be.

### The importance of time

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The first attitude that could become a problem to deal with is the concept of time in different cultures. Although time is universal, the way cultures manipulate it to fit their lifestyle (or vice versa) is very interesting to examine. Let's take a look at some examples.

The American businessman is always in a hurry, rushing from one appointment to the next, constantly chasing the clock. Copeland and Griggs speak of an American clock that "runs" and a clock that "walks" in other countries. Time is a valuable good and is seen as a limited resource, therefore one has to try to save and not waste it—time is money. A relentless clock ticks in the American ear that is guaranteeing a constant awareness of how much time has already been spent. For this reason the typical American tries to work as productively as possible, strictly organizing all activities on a daily calendar and working by a structured agenda in each meeting. Punctuality considering meetings, job interviews or any kind of sales activity is therefore extremely important. The meaning of being "on time" is also to be underlined, because it can be a form of communication as well. Being early can leave the impression that the visitor is anxious or overly eager and has too much spare time. Being late or keeping someone waiting would be considered as lack of interest or disrespect. Wasting precious time with too much small talk in the beginning of a meeting is also something that an American would try to avoid. After a short period of introductions and exchange of small talk, the meeting will turn straight to the topic and purpose of the visit.

In Asia and the Middle East, the first step of a meeting is an extended social acquaintance. This period can take several hours or even days and consists of drinking tea or coffee together, while observing the business partner. The objective is often not even mentioned during this time. An American is likely to assess this as "doing nothing" or a "waste of time", whereas an Arab would consider it as socializing and "doing something". The lack of obvious progress towards the objective should not be misinterpreted, because often, important steps towards credibility and rapport are established during apparently meaningless conversations. Future business is often based on those foundations.

The Germans' attitude is comparable to the Americans. Germans are known to always be punctual and disciplined at work and in private life. One should arrive at a meeting 5 minutes before the scheduled time, because the most important decisions often take place then. Following a strict timetable, appointments are scheduled at specifically arranged times and meetings are structured through clear agendas. This strict concept of time is often also found in leisure time. Activities have a certain routine and usually take place regularly. This is especially true with after-work hours, holidays and vacations, which are observed with religious importance. To disturb a German who is on vacation for the sake of work that needs to be done is an absolute no-no.

When doing business abroad, working hours, opening hours and public holidays should be generally considered, because they can influence the information and workflow. Every country has its own national holidays—official and unofficial—for example, the 2<sup>nd</sup> Christmas Day in Germany, the Friday after Thanksgiving in the USA, and the Chinese New Year.

## **Conduct and communication**

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Values and behaviors are deeply rooted in every culture and therefore have to be treated with great sensitivity. They are very important in certain groups. Americans are usually concerned with objective facts and pay less attention to sensitive issues, such as manners, gestures or greeting rituals. The focus is on the objective, which means that it's not the way a goal is achieved but the fact that it is reached. "A good loser is a loser" is an expression, which clarifies the American attitude regarding their "goal-orientation".

In Japan or in China, "actions are judged by the manner in which they are performed". It is less important to finally accomplish the task, as long as the method used was worthy of merit. Grace and honor are keywords symbolizing the concept of "face-saving", which is important in every aspect of life. Being in control of one's emotions is something that is more particular to the Japanese than other Asians. This self-control, which the Japanese see as a virtue, is interpreted by Westerners as coldness or lack of interest, when the truth could be quite the opposite.

Physical space and contact are also issues that may cause problems in international interactions. Americans hug or slap their business partners on their backs as a form of friendly greeting. In European and Middle Eastern societies, "kissing" the partner's cheeks (sometimes more than once) is a common form of greeting, a gesture that would shock an American or Asian. Personal physical space also varies according to culture, as do sitting/standing according to hierarchy, which can have huge significance in one and absolutely no significance in another.

Many other problems that can be encountered fall into the category of communication and conduct. These points will be covered in more detail later in the book.

## Work attitudes and motivation

Many years ago, people had to work in order to survive. These days, putting food on the table is only one of many reasons for people to work. In some cultures, the work one does defines the person. In the U.S., for example, “What do you do?” is a question that quickly follows initial exchange of names. Americans would find it hard to carry on a conversation without knowing what the other person does for a living. Being a land of immigrants who arrived with very little materialistic fortune, it is not hard to understand that the amount of money a person makes equals accomplishment and prestige in society. While other motivational factors do play a role in the work attitude of Americans, financial reward can be considered the foremost motivator for this culture.

In contrast, there are many cultures in the world that do not value the concept of hard work and its accompanying financial reward. For example, South American cultures value time with family and friends highly and would rather work less and sacrifice pay to socialize. They prefer being paid by the hour so that they can choose their working hours according to their needs.

In Japan, where the company is as important as family, motivation is derived from pride of belonging to a certain company. Here, it is not so much the position one holds or the salary one receives, dedication and seniority are respected and the main motivators for a job to be done well.

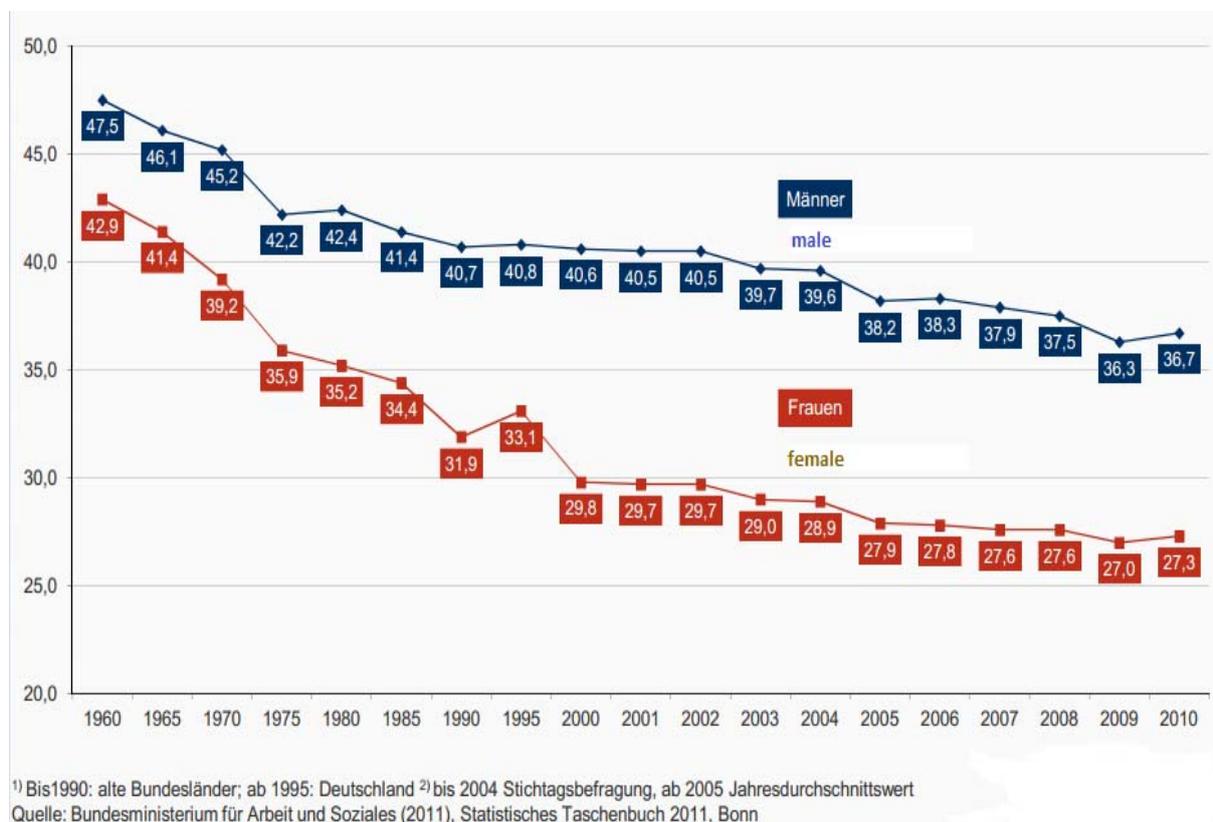


Figure 1: Weekly hours of work

Germans have a strong need for security. A strong driving motivator for them is the need to save money for lasting investments, such as a house, and a large nest egg for their retirement. While Germans yearn for the good life as Americans do, they are not driven by the immigrant work ethic, nor do they have the competitive atmosphere that Americans live in. The social security that German workers enjoy gives them the luxury of job security, long vacations, less working hours. The work attitude of the Germans can be seen more clearly in the following graph that shows the constantly decreasing number of working hours from 1990 to 2010.

In Germany, it would be futile to motivate workers with higher pay as in the U.S., or demand longer hours for the sake of stronger ties to the company as in Japan. To learn and understand what work means to people of different cultures mean knowing how and what motivates them.

## **Individualism vs. Collectivism**

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Although individuals have preferences about whether they like to work alone or in groups, a stronger tendency for this preference can be seen according to cultures as well. The USA is a country in which individualism is very important, where independence from the organization and having the capability to develop one's personal time with a certain amount of freedom. Self-actualization is an objective that strongly motivates employees, because they usually prefer to be challenged. Americans just want "to do their own thing". It can also be described as "social Darwinism", which signifies the "survival of the fittest".

Japan, on the other hand, is a country in which collectivism is a common and widely spread philosophy. The Japanese are dependent on the organizations and group work. Japanese workers are seen as very loyal to their work groups and their company in general. A strong identification with the employer is encouraged with a special company anthem or a get-together after work. They want to achieve success as a group or, in other words, as an entity. Harmony and hard work are dominating factors at the workplace—"The nail that sticks out gets hammered back in place".

USA and Japan are two extreme opposite examples of individualism vs. collectivism. We see strong preferences one way or the other when we take a look at some other countries. The following chart illustrates the manifestation of individualism in certain countries in relationship to uncertainty avoidance. It is ranked from 0, which means that people prefer to work in groups and reaches up to 100, representing a strong tendency to individual working methods. The countries with the highest and lowest GDP in 2006 are shown.

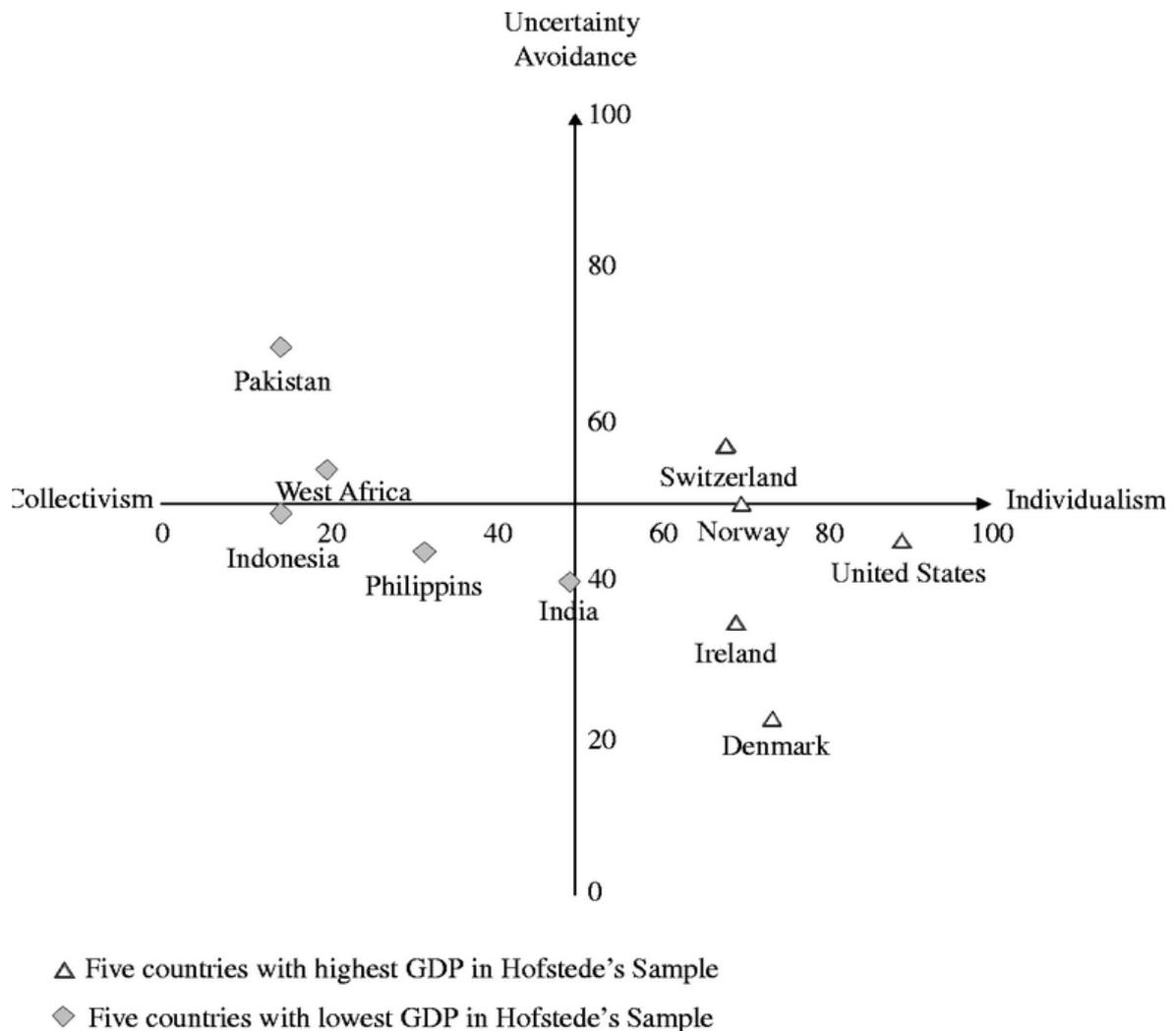


Figure 2: Individualism in figures

## Power Distance

Power Distance is a term describing the relationship between superiors and subordinates. The behavior of employees in how they interact with their bosses, subordinates and colleagues varies from country to country. Without basic information about the power distance in another country; expectations will not be met and will lead to tension in the office. In cultures in which values like individualism and self-fulfillment are important, the relationship between superiors and subordinates is more open, i.e., the power distance is small. The executive might give his subordinate the opportunity to take responsibility himself. Discussions or constructive criticism among them often is normal and even desired.

In countries with greater power distance, consultation among superiors and subordinates does not take place. Subordinates are used to execute the work in the way they are told to by their boss. This is the case in South America and most parts of Asia. In Japan, for example, consultations take place on a horizontal level, but rarely between different layers.

Participation in decision-making is a direct result of knowledge and not of the degree of responsibility. There is also a large difference in the degree of power distance among the countries of southern and northern Europe. Scandinavians as well as Germans and Austrians are often encouraged to take part in the process of decision-making and usually have a more consultation style.

The following dialog shows a typical scenario where neither party is aware of the power distance of the other. The American boss (small power distance) wants to force his Greek subordinate (large power distance) to make his own decision while the Greek is waiting for exact directions from his boss. The result is tension between the two, both irritated with the other.

What do they say?	What do they think?
<b>USA:</b> “How long will this report take you?”	<b>Greek:</b> “He’s the boss, why doesn’t he tell me?”
<b>Greek:</b> “I don’t know. How long should it take?”	<b>USA:</b> “He refuses to take responsibility.” <b>Greek:</b> “I asked him for an order!”
<b>USA:</b> “You should be able to analyze the time required!”	<b>Greek:</b> “Damn, I have to give him an answer.”

## 1.3 Solutions

### **What should you do before going international?**

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A businessperson going abroad should be properly trained and have the required skills and sensitivities to cope with the particulars of a given culture. The costs of repairing a damage of one's image or the negative impression one leaves behind, are much higher than the right preparation before leaving. Many things might seem to be similar, but when you take a closer look, you will find different nuances. Judging a culture by simple generalizations is not enough, try to look behind the first impression and analyze what influence lies behind it.

### **What rules have to be followed during international contact?**

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“When in Rome, do as the Romans do”. To some extent this expression is true, but you should not try to imitate a different culture or abandon your own values. Show respect to local customs, be sensitive and observe the way things are done in your host country. Try to integrate yourself and adapt to the way situations are dealt with. Keeping your eyes open and interpreting carefully what you see and also what you don't see, is the right approach.

Most importantly, patronizing colleagues and employees will only lead to trouble. If you talk and discuss problems, show respect for their point of view and ways of doing things, the foundation for a good working relationship will be laid.

THINK GLOBAL AND ACT GLOBAL.

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# CHAPTER 2

## GETTING STARTED

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### *How to make things happen abroad?*

This chapter is written on the premise that a company going abroad may be a consumer goods company or a business to business (B2B) company. The terms partners, consumers, counterparts are all used to refer to potential cooperating foreign companies.

### **2.1 Going into foreign business – reasons and obstacles**

It is not rare today for a company to want to go international and expand to different countries. Companies go international for a variety of reasons, but the goal is typically company growth or expansion. Whether a company hires international employees or searches for new markets abroad, an international strategy can help diversify and expand a business.

#### **Reasons for going international**

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One very important reason for going global is for a firm to explore and develop new markets. In the ideal case this would be followed by an increase of sales revenues. Going abroad is sometimes the only way to develop new profit centers with increased sale of products or services. A company can compete effectively in the global marketplace and be in a much better position, both at home and abroad, in maintaining the competitive edge. It has the possibility to build and strengthen relationships with the counterpart organizations overseas, and once it has established itself and found businesses and partners to work with, it is much easier to exchange ideas and expertise on a global level. There is a good chance to gain industrial expertise and experience from strategic alliances, partnerships, or memberships.

#### **Wrong reasons**

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Some reasons appear very reasonable and promising at first, but they could be the wrong reasons to go abroad. Do not go international and choose a country because it has a large population. This does not necessarily mean a big market for your company. First of all, there may not be enough skilled workers to hire to do the work your company needs. Infrastructure needs to be checked carefully to see if the system of education and the academic and technical knowledge that is offered are sufficient. It would not be wise to have to invest a huge sum just to get the right infrastructure for your manufacturing and marketing. Not even cheap labor can make up for these huge investments.

Second, marketing studies must show that consumers are willing and able to buy the services and products offered. It is much easier to meet a need that already exists than to create the need. Third, do not blindly follow another company going into a foreign market, with the attitude that if they can do it, we could also. Each company should follow its own business strategy.

## **Obstacles**

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Once established abroad, the biggest obstacle from success presents itself—dealing with cultural differences. Despite what seemed to be adequate cross-cultural training, the surprises and challenges that emerge can be quite discouraging morally and costly financially. Potential consumers may not have been evaluated correctly; competition may prove to be stiffer, local staffing may prove to be difficult. Some surprises can be quite out of one's control: natural disasters, government changes—a company must be prepared for all of the above.

## **2.2 Finding partners and customers abroad**

When the decision has been made to go international, new business partners and customers need to be found. The following resources should be explored:

- Start by searching the Internet. This is a very inexpensive and easy way to find potential business partners, as today nearly every company has its own website where you can find principal information about the company and the products they offer.
- It is just as important to have a website of your company on which you present your products. The website should be available in English so that an international audience can be reached. To facilitate communication, provide a contact form on the site where potential customers can leave their phone number, mailing address, etc.
- Participate in trade events such as trade shows, fairs, and exhibitions. Trade fairs are "shop windows" where thousands of companies from many countries display their goods and services. They serve as a marketplace where buyers and sellers can meet and thus provide a good opportunity to talk to potential business partners directly and to get information about various companies and their products. European companies frequently conduct business at trade shows. Expose own products in a trade show to present them to an overseas market. This requires preparation and commitment, but it is a very cost-effective way to find new customers. This is a chance to also learn about competitors in the marketplace.
- Analyze the characteristics of your existing partners in your home country: What types of companies are they in terms of company size, structure, branch of business? Do these companies have branches in other countries? Do similar types of companies exist internationally? Examining the structure of your existing partners can also mean finding out more about their competitors.

- Contacting business colleagues and other expats are a very good way to get informed. A person with first-hand experience in an international market may give a personal recommendation for a potential buyer or a distributor. The recommendation against a certain customer for credit or reliability reasons may save the company a number of problems. An excellent method of networking and establishing contacts with business people, who have international experience, is attending trade shows or export seminars.
- A large number of publications such as magazines or directories, which list and qualify international companies, are available. You can either find other companies there or promote your own products or services, which might generate responses. Magazines range from specialized international magazines relating to individual industries such as construction or textiles to worldwide industrial magazines covering many industries. Trade associations, business libraries and major universities may provide these publications.
- Radio, television, or various forms of outdoor advertising (posters, electric signs, and billboards) may also be used for promoting products or services, as they bring an advertising message to a great number of people.
- Another good tip is to join some of the international business chambers, for instance the British-American Chamber of Commerce in the UK. These chambers function much like a local chamber and offer similar networking opportunities. You can also contact foreign embassies in your home country. They have directories of firms located in their countries and can provide written information. Their commercial officers can also counsel you. Furthermore, the diplomatic service of your country abroad can help you with their commercial officers.
- If your company is located in the United States, for instance, you can make use of the U.S. and Foreign Commercial Service that delivers a very valuable service. It is part of the International Trade Administration of the Department of Commerce and promotes U.S. export trade. You can meet with a trade specialist who gives you information about the best markets for your business. This is an easy, cheap, and productive way of making contact.

## 2.3 Contacting international counterparts

After identifying potential counterparts, the next step will be to contact them. The initial contact should be in writing followed by an appointment to meet in person. Although communication in writing might be hard and frustrating work, it is the best and necessary way for getting in touch with new contacts, especially those that are in foreign countries. Following some general guidelines concerning the format, language, and content will produce the right letter/mail – and hopefully get a response.

### The letter format

Several significant points should be known about letter formats. Since the goal of this letter is for future cooperation, it counts as the first impression. Using proper stationery with company

letterhead will make a good impression on the receiver. It is important to spell names correctly, check and double check to make sure, as people can be easily offended by mistake with their names. This goes for making sure the correct title of the person is written.

Also keep in mind that countries use letterheads and addresses in very different ways. First and last names can be reversed, street addresses, zip codes, provinces, cities, may all be presented in a different order than in your own country. Make sure it is written correctly so that mishaps in delivery will not take place. To avoid confusion on the other side, your own name and address should be written in the format used in your own country.

## Language

Since English is the universal language of commerce, correspondence should be in English. However, consideration might be given to including a translation into the recipient's language. This would make the letter more "readable" should the recipient's English not be up to par, and it might be seen as a gesture on your part to accommodate your potential partner. Furthermore, a good translation will avoid any possible misunderstanding of the content of the letter. You can find assistance for translations at certain service providers such as banks, freight forwarders, or commercial translators who are hired on a fee-basis. Other sources could be colleges or universities or even your own company's translation department. If English is not your native language, using the help of translators on your side would be advised.

Most countries, including Europe, have a very formal and traditional tone and writing style, whereas U.S. letters are less formal. Keep in mind that when the tone and style of the writer differ greatly from that used by the recipient, an intended positive message could be received in a more negative way.

## Content

If you would like to contact customers, an introduction letter is common. It is especially effective if it comes from a third party that knows the recipient and has some influence on him. This letter should be written as a letter of recommendation. The company should draft the letter to make sure it contains the necessary information. It usually starts with the profile of the firm, followed by reasons for contacting and finish with the hope that an appointment for a meeting can be made. In the profile, details may be included, for example the number of employees, products, references, and in some cases C.I.F. prices in U.S. dollars at the nearest port of the recipient. If you want to include more details, particularly technical ones, do this with an attachment.

## Reactions to your first letter

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After the first letter has been sent, you should remember that failure to answer does not always mean a lack of interest. In some countries it might take a long time to receive an answer because they have a lot more problems with communication, transportation, etc. Having received an answer, it is again your turn to reply promptly, completely, and clearly, even if it is a rejection.

## **Making an appointment**

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After you have successfully introduced yourself and your company, you will start planning an appointment. Although the telecommunication revolution permits quick correspondence with business partners and enables you to stay in constant touch, as mentioned above personal contact is absolutely necessary to build a good relationship. When making appointments the following should be considered.

### **2.4 Getting prepared for the first visit**

It is highly recommended to visit prospective business partners in order to make personal contacts and build trust. Like in domestic business, face-to-face meetings with partners are the best form of business contact. By traveling abroad, you can also examine the markets where you are considering selling your products, and your company can familiarize itself with the foreign culture. This might impact the design and advertising of a product. Moreover, additional new partners can be located and communication with existing business partners can be improved.

It is not uncommon for this initial trip to result in no business finalized and a little chance of closing sales in the future. However, the expenses incurred for such a trip is well worth the money since further steps cannot be taken without this initial trip.

#### **Learn about the laws and regulations**

As in every country, the government influences foreign business by its own laws and regulations. It is crucial to be knowledgeable of the limitations in a country before visiting. For instance, in a centralized economy, direct contacts to companies are difficult, as the decision making is centralized. Initial contact is made via intermediaries (foreign trade organizations or foreign trade corporations) who evaluate the commercial aspects of a potential import like price, payment terms, quality, etc. Before contacting a company it is very important to find out how much authority it has.

A business trip can be turned into a major success for your company if it is well prepared. For example, general knowledge of the country and business practices researched ahead of time will not only facilitate the visit, but a good impression of your company will be left behind. Research material is available for every country (e.g. at embassies or in the Internet), so there is no excuse for entering international business unprepared. In general, flexibility and cultural sensitivity should be the guiding principles for traveling abroad on business. More detailed information for various countries on social etiquette and business practices will be covered later in this book.

## Prior scheduling

Appointments need to be scheduled before traveling to the country. It is not advisable to try to get an appointment after you have already arrived in the country. Even if the right people are available, which is unlikely, they prefer appointments. Once you have sent your introduction letter, you can ask for an appointment with another letter. Try to follow up this letter and get in touch with a secretary to remind her of the letter and to ask for an appointment.

## Meeting the right person

When asking for an appointment, you have to know whom you would like to meet. Too often, a visit is wasted because the counterpart does not have enough responsibility to make decisions. In general, compare the contact company with your own one. Get to know the hierarchy of the company and choose the highest manager possible. However, beware that there is a problem with going too high. The problem of going too high is that the highest managers have the power to make an early rejection, which cannot be changed later.

Many countries are very status-conscious even for first appointments, which means that all participants of a meeting should have the same status. It would be an offense to send someone beneath the counterpart's position, as that would mean that the meeting is not very important.

In some countries, especially in Asia, an intermediary may be necessary for a successful contact. One possibility is to hire a contact from your industry to introduce you. The contact adds credibility and security to the first meeting and the right contact may even be all that you need for a positive outcome.

## 2.5 Travel preparation

A successful business trip requires months of planning. Start planning your trip at least one month in advance. It is never too early to reserve flights and hotels. The reservations can always be changed. Otherwise you might be in a situation where you have arranged all your meetings abroad and then cannot get a flight. As you plan your business trip, you have to consider the following:

### Planning the itinerary

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- Travel plans should reflect goals and priorities. What does your company want you to achieve with that trip or project?
- Pay attention to local holidays and work hours. For example, in some countries, Fridays are non-working days, and everything may close down during “siesta” time. Not having this information could mean time wasted by planning poorly.
- Try to plan meetings with several business partners to make the trip more cost efficient. Arrange two or three meetings a day and try to vary them, for example one breakfast meeting, one meeting in the office etc.

- Before you start planning various meetings, look at a good map of the area and check how much time will be needed to get from one point to the other in order to plan your meetings efficiently. The meetings should be arranged in a way that does not keep you “zigzagging” around the country. You should also find out if good public transport facilities are available and check transportation schedules. If possible, you can arrange transport in advance.
- A well-planned itinerary enables you to make the best possible use of time abroad. Business travel is expensive and your time is valuable, but an overloaded schedule can be counterproductive, as you would only rush from meeting to meeting. If possible, at least one extra rest day before meetings should be planned in order to compensate for jet lag. It is also helpful to get familiar with the new environment.
- Check whether you can incorporate a useful trade show or exhibition into your itinerary, as you can make additional contacts.
- The schedule should be kept flexible for both unexpected problems (such as transportation delays) and unexpected opportunities. For instance, accepting an unexpected lunch invitation should not make it necessary to miss the next scheduled meeting.
- It is advisable to let your work colleagues know about your business trip and itinerary; do not treat it as a secret. They might already have useful contacts to people you are going to meet, or they can give you some good hints about traveling in a certain area because they had their own business trip. Perhaps they have a good map and can give you additional important information.
- When you have scheduled appointments, you should fill in your itinerary with all necessary information: company, contact names, position, address and phone details. You should also add further useful information like a short company profile, web site, and the travel directions.
- It is advisable to have transportation and hotel reservations arranged by travel agents, as they work professionally and quickly. They can obtain the best travel rates, know which countries require visas, advise on hotel locations and rates, and provide other valuable services.

## Proper documentation

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Before traveling overseas, the following documents are needed:

- **Passport:** The passport is the most important document you have to carry with you when traveling outside your native country, as it is the proof of citizenship. If you have a current passport, you have to make sure that it remains valid for the entire duration of the trip. Some countries require a validity period of up to one year after travel to the country.
- **Visas:** Many countries require visas. It is necessary to apply in time. It can be obtained from the embassy or consulate of the country you wish to visit. You should check visa requirements each time you travel to a country because regulations change periodically. Be