Cross-cultural Management

Unit 6. Culture and business in Asia

IMAGE

China:

Economy, Business and Culture

History of China

Late feudalism and Republic

Mao: the Communist revolution

After Mao: the journey towards capitalism

History of China

IMAGE **Mao: the Communist Revolution**

Central planning

Economic growth and structural change

Drawbacks of the system

History of China

After Mao: the journey towards capitalism

IMAGE

Modernization and open-door policy

Creation of Special Economic Areas: initially four, in Shenzhen, Zhuhai and Shantou (Guangdong) and Xiamen (Fujian)

Consequences of reforms

IMAGE

China's entry into the WTO

Second largest economy in the world since 2008

5

IMAGE

Bureaucratic, single-party system

State control over key industries. Subsidized companies

Wealth acquired through contacts: social inequality

Large-scale corruption

Fewer state funds for social spending

6

Location of Spanish investments in China

IMAGE

China's provincial GDP spread

IMAGE

Current and future investments by region

IMAGE

China's fastest growing regions

IMAGE

IMAGE

Exports (direct or indirect)

Licences (Problems with intellectual property protection)

Direct investment (joint venture or wholly owned subsidiaries)

Entry modes to the Chinese market

11

The Belt and Road Initiative will have an impact on social, political and economic relations between Africa and China. It has the potential to open up new opportunities in numerous areas of business.

IMAGE

12

Spanish companies in China

Food industry: Chupa Chups, Nutrexpa, Torres, Panrico, Roca
Consumer goods: Fermax, Indo, Lladró, Zahonero, Martínez Valero , Mango, Inditex
Car industry: Ficosa, AUSA, ALSA, Irizar
Pharmaceuticals: Esteve, Telstar
Banking: Banc Sabadell since 1991, Bancaixa, CAM, La Caixa, BBVA (Citic Bank)
IT: Telefónica (China Netcom), Indra, Panda Software

In 2002 there were approximately 60 Spanish companies in China. In 2008 there were roughly 400. Today there may be over 1,000 (40% of which are Catalan).

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Spanish companies in China

Fermax:
Audio and video door entry systems

IMAGE

1995: Sales representative office

1997: Assembly plant

2001: Manufacturing plant

2013: 300 employees in a manufacturing plant and R&D centre

14

Spanish companies in China

Chupa Chups:
Sweets and candies
1994: Creation of a *joint venture* (67%) with Tian Shan

1998: Purchase of partner's shares and enlargement of facilities

2003: Liquidation of the plant

2004: Liquidation of the subsidiary; creation of a joint venture for distribution with local partner Tingyi (producer of snacks). It retains the right to acquire 50% of Tingyi's stake before 2008.

2006: Chupa Chups is sold to Perfetti Van Melle.

IMAGE

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Spanish companies in China

Irizar:
Bus and coach manufacturer

1994: Creation of a joint venture with ALSA and a public bus company in Tianjin

1995: Production begins

2002: Increase in capital and change of partner (Timbao Automotive Industry Corporation)

2015: Irizar leaves China

IMAGE

16

Spanish companies in China

Nutrexpa:
Manufacturer of food products

1989: 50% joint venture with state-owned company Li Min (Cola Cao Tianjin Food Company)

1998: Increase in capital not subscribed by local partner; participation increased to 70%

2002: Participation increased to 98%

2015: Nutrexpa leaves China

IMAGE

17

Spanish companies in China

AUSA:
Manufacturer of special vehicles

1995: 50% joint venture with Norinco (China North Industries Corporation)

1996: Liquidation of the joint venture; opening of a representative office

IMAGE

18

Spanish companies in China

SEAT:
Car manufacturer

2012: Initiates exports (3,300 units sold)

2013: 1,100 units sold

2016: SEAT studies whether to produce cars in China

IMAGE

Chinese foreign investment

Acquisition of Western companies

Lenovo (IBM)
Shanghai Automotive Industry (Rover)
China National Petroleum Corp. (Petrokazakhstan)
China Mobile Communications (Thomson TV, Alcatel Mobile)
Geely (Volvo Cars)
The next step:
Internationalization of SOEs: ChemChina (Pirelli)
Objectives
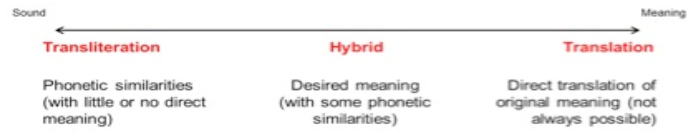
Access to raw materials
Acquisition of brands   **Problems with integration**
Access to customer base

Adaptation of foreign brands to the Chinese market

Sound ← → Meaning

Transliteration | **Hybrid** | **Translation**

Phonetic similarities (with little or no direct meaning) | Desired meaning (with some phonetic similarities) | Direct translation of original meaning (not always possible)

Carrefour
家乐福 （Jiā lè fú)
Happy – family – fortune

IMAGE

L'Oréal
欧莱雅 （Ōu lái yǎ)
European elegance

Cola Cao
高乐高 （Gāo lè gāo)
Tall – happy – tall

Kellogg's
家乐氏, (Jiā lè shì)
Home – happy

Bulgari
宝格丽 （Bǎo gé lì)
Gem – rule – beautiful

Pampers
帮宝适 （Bāng bǎo shì)
Help – fit – baby

21

Business culture in China

Hofstede

PD	AI	IDV	MAS
80	15	13	66

Guanxi: importance of the group and relationships

Family

Interpersonal relationships that are reciprocal and long lasting

Trust and loyalty

Extension of contacts to third parties

Influence of Confucianism
Hierarchy in social relationships, humanity, ethics, benevolence and reciprocity

Influence of Taoism
Harmony, duality and equilibrium

Influence of Buddhism
Finding the meaning of life

22

Shèng Nǔ (剩女)
"leftover" women

IMAGE

Gender imbalance in China:

- High social and family pressures
- Women empowerment progress

Shèng Nǔ (剩女) Socioeconomic profile:

- High education level.
- High income level.
- Stable employment

SKII Marriage market takeover (English) **https://bit.ly/2VfF1Nt**
SKII Marriage market takeover (Spanish) **https://bit.ly/3cuOXIV**

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What does guanxi (關係) mean?

Connexions or relationships between individuals based on a system of reciprocal obligations and the exchange of favours.

關 Guan: barrier, close, passage
係 Xi: link, tie, attach

"Skip barriers in order to settle relationships" or "Opening the door to human relationships".

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Business culture in China

Levels of guanxi

家人 **Jiaren (family)**

熟人 **Shuren (friends)**

生人 **Shengren (acquaintances)**

Elements of guanxi

人情 **Renqing = favour**

面子 **Mianzi = social status, face**

信用 **Xinyong = trust, loyalty**

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IMAGE

Jxdq{ 关系 jxāq{„ Fdqqrwehhwdqvdwhghlhfwdvfrqqhfwlrqvkujohwzrunljehhfdxvhiww ghhshumsdfdwlrqvlgwkhFklphvhexvlghvvwrugdggFklphvhvrfhwdvhkrdWklbjxdqhdq dqfhqwdggErp sdx{dvshfwfrkFklphvhvrfhwkdwpdrhgrljexvlghvvlgFkbdhhmplpbdWrj irp bjjxdq{hhdotrqvfdqehdvmpsdwdvvshgglrjwkhmwwhjhwwhnqrzrxexvlghvvsduhhuv rqhhhuvrqdwmyh1WdybjjrrgjxdqSwhvvhqwdwwrdrojrojOhupburilwdeowexvlghvvrukdybj d#jrrgfdbhhugFkbdUlyhgwkhmsrwdqfhifjxdq{wwexvlghvvhhdwlrqvwhwklwmmSwvl{hhh dvshfwrifjxdq{khdwwlwwkhsw rxkoqhuwdqgkrzwrqwdyhhrhhrux d|kuxjjkhdwlrqvlg Fklbd1

26

IMAGE

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Guanxi in the business context

Guanxi is deeply ingrained in business practices in China due to the long-term influence of Confucian culture.

Guanxi has been shown to have a **positive impact** on the **internationalization of** Chinese firms, providing tangible resources and lowering barriers to the transfer of intangible ones.

Business practices based on guanxi can reduce uncertainty and transaction costs.

A significant **drawback** is an induction to corruption.

<u>Guanxi with the government</u>: managers and domestic governmental departments at all levels.
<u>Guanxi with business partners</u>: suppliers, distributors, consumers and competitors.

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How is a Guanxi relationship developed?

There are 4 complementary strategies:

1. Doing favours	2. Promoting long-term mutual benefits
3. Creating a network of personal relationships	4. Building trust

This requires   TIME and MONEY

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Business culture in China

Main differences in business practices between China and Europe

Europe	China
Deal-focused	Relationship-focused
Direct language	Indirect language
Equal treatment	Very hierarchical
More expressive	More reserved
Monochronic time	Polychronic time
Short-term orientation	Long-term orientation
	(Ford Credit)

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Business culture in China

Deal-focused Europe	Relationship-focused China
Open to do business with unknown people/foreigners	Less open to do business with foreigners
Direct contact	Indirect contact works better
In business they get to the point quickly	Relationships should be built before doing business
Negotiations are quick	Negotiations take time
Face-to-face contacts are less frequent	Face-to-face contacts are frequent
Contracts are drawn up at the end of negotiations	Contracts may be renegotiated

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Business culture in China

Equality – hierarchy

Equality **Europe**	**Hierarchy** **China**
Small differences in status	Large differences in status
Status is achieved	Status is assigned
Respect is earned	Respect is a function of ascribed status
Respect is less important	Respect is shown to the elderly or to people of higher status

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Business culture in China

High – low context cultures

Low context **Europe**	**High context** **China**
Language is relatively direct.	Language is often indirect. Causing offence or making others lose face should be avoided.
Anger, impatience or frustration may be expressed.	Showing negative emotions can disrupt harmony and cause discomfort.

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Business culture in China

Expressivity

Expressivity	Europe (Mediterranean)	China
Tone of voice	Speak in a higher volume	Speak softly
Interruptions	Conversations often overlap	It is impolite to interrupt
Physical contact	Closer physical contact	Less physical contact
Eye contact	Direct eye gaze	Indirect eye gaze
Gestures and facial expressions	Abundance of gestures	Few hand gestures and very subtle facial expressions

Business culture in China

Inappropriate gestures in China

Beckoning people with your hands or fingers.

Touching another person's head.

Pointing the bottom of your feet towards another person.

Offering gifts, presents, name cards, papers, etc. with only one hand.

Useful websites in China

- www.moftec.gov.cn (Ministry of Commerce)
- www.tdc.org.hk (Foreign trade promotion, Hong Kong)
- www.ccpit.org (Foreign trade promotion)
- www.customs.gov.cn (Customs)
- www.icc-china.com (International Chamber of Commerce)
- www.chamber.org.hk (Hong Kong Chamber of Commerce)
- www.chinamarket.com.cn (Information about China)
- www.chinagrow.com (Foreign trade and business network)
- www.chinadaily.com.cn (China Daily)
- www.scmp.com (South China Morning Post, Hong Kong)

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BUSINESS CULTURE IN JAPAN

Hofstede

PD	AI	IDV	MAS
54	92	46	95

Japan is the third-largest economy in the world. It experienced rapid post-war growth. The 1990s were the "lost decade". Growth has been weak since.

State-oriented growth was promoted through the MITI (Ministry of International Trade and Industry), which became the METI (Ministry of Economy, Trade and Industry) in 2001.

IMAGE

Source: www.culture wizard.com

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BUSINESS CULTURE IN JAPAN

Business culture in Japan

Basic principles of Japanese behaviour

• **Homogenization:** All Japan shares the same culture, traditions, education system, values, gastronomy, etc. and has a common code of conduct.
• **Hierarchy:** This principle is of Confucian origin. Even the language varies when people of different ranks are addressed **(keigo 敬語)**.
 Hierarchical status applies even for relationships between firms.
 Negotiations are usually conducted between people of the same age and rank.
Men prevail over women in the workplace.
• **Collectivism, team spirit.**
• **Harmony; the** need to avoid conflict and confrontations.
       Honne **(本音)** represents a person's true feelings.
       tatemae **(建前)** is what you may say or do in front of others because it is socially right.
• **Modesty.**

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BUSINESS CULTURE IN JAPAN

Business culture in Japan

• **The use of time is absolutely rigid:** meetings begin and end exactly on time.
• **In meetings, only previously agreed issues are discussed; there is no improvisation** or flexibility.
• **Group meetings. Documentation should be provided beforehand. This must be impeccable, comprise multiple copies, and be written in Japanese or English.**
• **The information must be detailed and error free.**
• **There is a brief preliminary conversation but this is never about personal issues.**
• **There is little eye contact; accept the silences and never interrupt.**
• **Personal relationships are extremely important.**
• **The language is ambiguous:** "yes" (hai) means understanding, not that the issue is accepted. Avoid saying "no" ("iie").
• **They look for global rather than point-by-point agreements. Amongst themselves, they do not use contracts as often as they do with foreigners. A renegotiation clause is usually included in case conditions change (*Jijou-Henkou*).**

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BUSINESS CULTURE IN JAPAN

Business culture in Japan

• Treatment is very formal; when greeting,
they bow as a sign of respect.
• Business cards (*meishi*) are very important.
• Talking about oneself or about sensitive
issues must be avoided.
• It is common to invite business partners to
restaurants and karaokes.

• Gifts are very important. Find information about gifts before offering
them. Never offer gifts that contain objects in sets of four or nine.
• Kankei (the Japanese version of guanxi) puts the emphasis on
relationships that are rational and logical. The Japanese do not blindly
engage in relationships. Kankei is strongly based on trust and loyalty.

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BUSINESS CULTURE IN JAPAN

KUUDOOKA: Offshoring of the manufacturing activities of Japanese companies to other
countries, especially to other Asian countries with lower labour costs.

ZAIBATSU: The *zaibatsu* were huge conglomerates of Japanese companies that existed until the Second
World War. The main *zaibatsu* were Mitsubishi, Mitsui, Sumitomo and Yasuda, which were controlled by
family groups. The core business used to be banking and other financial businesses, with heavy
industries etc. being developed around it. The *zaibatsu* were eliminated at the end of the war by the
Allied forces.

KEIRETSU: These are reconversions of the *zaibatsu* that emerged from the Cold War. Horizontal
keiretsu, similar to the former *zaibatsu*, are headed by a bank and a trading company (*sogo shosha*).
Vertical *keiretsus* link various value added chains in related industries such as electronics and
automotion. The manufacturer of the final product is supplied with parts by partner companies with
whom it maintains long-term relationships.

KABAUSHIKI KAISHA: This is the legal form adopted by the larger Japanese companies. It is similar to
that of Spanish joint-stock companies, whose shares are freely transferable and whose number of
investors is unlimited. It is usually the legal form employed by foreign companies in Japan.

YUUGEN KAISHA: This is a legal alternative to *kabaushiki kaisha*, similar to the Spanish limited liability
company. It is therefore more suitable for smaller companies because the minimum capital needed to
establish them is less, as are the number of investors and the management requirements. Similarly,
shares cannot be transferred without the consent of other shareholders, which makes them more
attractive to family businesses.

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BUSINESS CULTURE IN JAPAN

MITI: The Ministry of International Trade and Industry was the Japanese ministry that promoted the country's economic development after World War II. Its role was to determine which industries had to be protected, which had to be developed, and which had to be abandoned. The MITI worked closely with the private sector, especially with the large *keiretsu*.

SHUKKO: This is the practice, usually temporary and for training purposes, of transferring personnel between companies that are linked by strong ties but do not necessarily have shared ownership. *Shukko* is also used to avoid layoffs in crisis situations.

JIS: Japanese International Standards are the quality standards imposed on foreign products by the Japanese government for them to be sold in Japan. In practice, they act as non-trade barriers.

NEMAWASHI: This is part of the culture of consensus and group spirit in Japan. Before taking a decision, informal consultations are conducted among company members in order to know every opinion and facilitate consensus.

RINGI: Related to *nemawashi*, *ringi* is a process by which a person raises an initiative in the company and presents it to the rest of the company for approval (*ringi-sho*). The process begins with the proposal, which is sealed by the person who raises it (*hanko*), before being assessed by other members of the company.

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Useful websites in Japan

- www.meti.go.jp **(Ministry of Foreign Trade and Industry)**
- www.jetro.go.jp **(Foreign Trade Promotion)**
- www.mof.go.jp **(Customs)**
- www.jcci.or.jp **(Japanese Chamber of Commerce)**
- www.keidaren.or.jp **(Federation of Japanese Companies)**
- www.chuokai.or.jp **(Small Companies Association)**
- www.eu.japan.co.jp **(EU-Japan business cooperation centre)**
- www.fid.com **(Foreign investment development)**
- www.japantimes.co.jp **(Japan Times)**
- www.nni.nikkei.co.jp **(Business newspaper)**

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BUSINESS CULTURE IN SOUTH KOREA

Business culture in South Korea

Hofstede

PD	AI	IDV	MAS
60	85	18	39

Characteristics of *chaebols*, large conglomerate groups controlled by small numbers of shareholders:

• **They have strong ties to the South Korean authorities; the government uses them to promote economic development (especially in the 1960s and 1970s under the presidency of Park Chung-hee, with the support of the United States).**
• **They have diversified into a wide range of industries.**
• **They pursue an expansionist policy and the development of foreign markets.**
• **They have a great appetite for risk, growth and new activities.**
• **They attach importance to strategic planning units and *think tanks* (economic research units at the headquarters).**

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BUSINESS CULTURE IN SOUTH KOREA

Business culture in South Korea

The main differences between the *chaebol* and the *keiretsu*:

• **Like the *zaibatsu*, *chaebols* used to be managed by members of the owning families (*chongsu,* the reigning figure) but they have become managed more professionally since the 1997 crisis.**
• **Their activities are more diversified than those of the *keiretsu*, especially the vertical ones.**
• ***Chaebols* could react faster when facing changes and adopt short-term strategies.**

Until the 1970s, the *chaebol* focused on light industry. In the 1970s they began to focus on heavy industries, while since the 1980s they have focused on higher value-added sectors such as electronics and automotion.

The five biggest chaebols are Samsung, Hyundai, LG, SK and Hanhwa.

The New York Times **South Korean Family Conglomerates Pressured**

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BUSINESS CULTURE IN SOUTH KOREA

Business culture in South Korea

Common features with Japan and China: Confucianism
- **Authoritarianism:**
    - **In the family, the father is superior to the mother and both have power over children.**
    - **In business, line managers have authority over subordinates and senior managers have authority over junior managers.**
    - **In relations between classes, aristocrats (*yangban*) used to have authority over the working class (*sangnom*). Nowadays, an elite class of business and government elites, dominate the country through their wealth, power and influence channeled through their familial and social networks.**
- **Family: social and class relations are important.**
- **Education: the educational system is strict and based on values.**
- **Collectivism: South Koreans identify strongly with the group, e.g. the family, business, school or college.**

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Business culture in South Korea

Differences between South Korea and Japan:

- **Quicker strategies: especially in the *chaebol*, decision-making is characterized by speed, unlike what occurs with the *ringi* system.**
- **Short-term orientation: in both company and government economic policy.**
- **Emotionality: feelings are more freely expressed.**
- **Religion: Christianity has an influence.**

- **Inmak and Kwankye differ from Japanese versions of guanxi: Authoritarian side and ascription (links such as a common birthplace, the same school, and family) are more important in South Korea.**

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Business culture in South Korea

Negotiations:

- Koreans tend to be **more direct and less ambiguous** than the Japanese but the atmosphere of negotiation is always respectful.
- They usually save the most important part of the negotiation to the end. It is important not to go straight to the point at the beginning of negotiations.
- You need to get used to silence and be able to interpret it.
- Westerners tend to talk too much. You should be concise and practical when negotiating.
- **Hierarchy** also influences negotiations.

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Useful websites in South Korea

- www.mosf.go.kr **(Ministry of Strategy and Finance)**
- www.mofat.go.kr **(Ministry of Foreign Affairs and Trade)**
- www.motie.go.kr **(Ministry of Trade, Industry and Energy)**
- www.bok.or.kr **(Bank of Korea, the central bank)**
- www.kotra.co.kr/eng/index.jsp **(Trade and Investment Promotion Agency)**
- www.kita.or.kr **(Korea International Traders' Association)**
- www.customs.go.kr **(Customs Administration)**
- www.kccien.or.kr/english/index.asp **(Chamber of Commerce)**
- www.smipc.or.kr **(SMEs directory)**
- www.aftak.or.kr **(Foreign trade agents association)**
- www.koreaexim.go.kr **(The Export-Import Bank of Korea)**
- www.eiak.org **(Electronic Industries Association in Korea)**
- www.koreaherald.kr **(Korea Herald, the English Newspaper)**
- www.kdi.re.kr **(Korea Development Institute government think tank)**
- www.seri.co.kr **(Samsung's think tank)**

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BUSINESS CULTURE IN INDIA

Business culture in India

PD	AI	IDV	MAS
77	40	48	56

• There are 14 official languages, plus hundreds of other languages and dialects. **English** is the unifying language in government and business.

Differences in regional cultural variables are significant for Indians. For Western business visitors, these differences can be much less important. An Indian business culture exists that cuts across regional, religious, language and caste lines:
  - **Polychronic, relationship-oriented, hierarchical** and **high context**

However, certain regional differences may be of interest to Westerners who manage people in India. For example, there are differences in staff behaviour between the north and the south.

Managers from northwestern Europe and Anglo cultures express the greatest difficulties in communicating, negotiating and managing in India.

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BUSINESS CULTURE IN INDIA

Business culture in India

• Hindus greet each other with the **"namaste"**. When greeting the elderly or wishing to show respect, they also incline the body.

• Businessmen shake hands. However, avoid shaking hands and having physical contact with women in order to respect their privacy and dignity. Those who have been educated abroad may offer their hand, but you should wait for them to do so.

• If a woman does not offer her hand, you must smile.

• In public, men should never initiate a conversation with a woman who is alone.

• Hindus value titles: If someone has a title, you have to use it to greet them; the suffix **"ji"** after the name is a sign of respect.

• People usually ask permission to leave.

• It is extremely important to show respect to others, especially to the elderly (in a group, greet the elderly first).
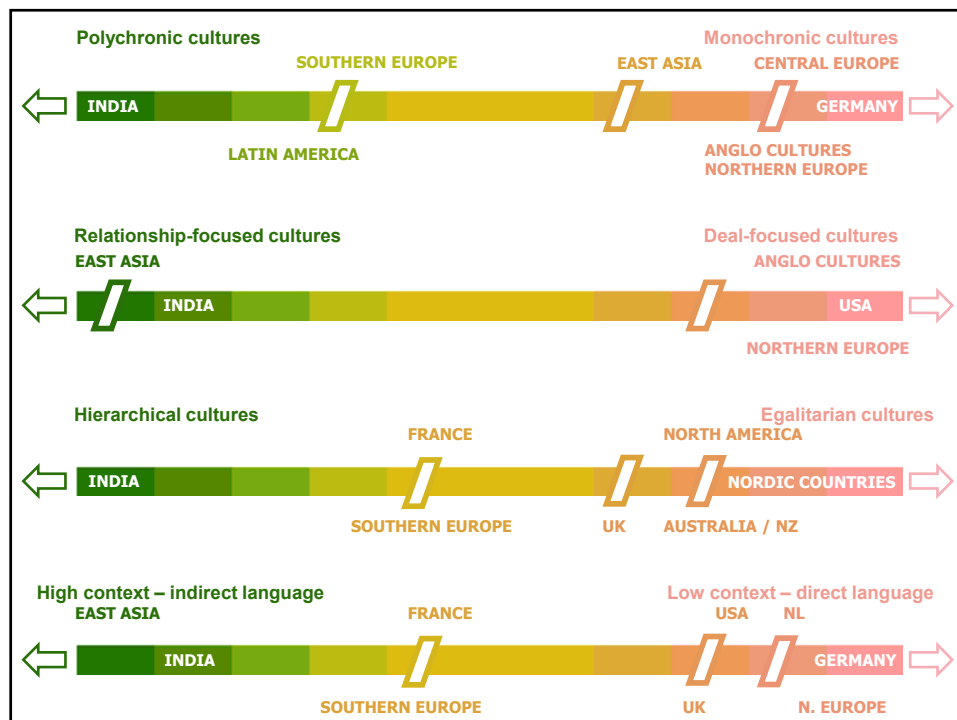
52

BUSINESS CULTURE IN INDIA

Decision-making styles

• **Decisions are made slowly**. Hindus need time to analyse every aspect of the business. We must be patient. They do not like being pressured into speeding up the process. Impatience is rude.

• **Decisions are made at the top of the hierarchy**. Whenever possible, we should cultivate good relations with senior managers.

Conversation topics

• To establish a business relationship, you should talk about family and friends.

• Indians like to talk about politics and religion, but we must be careful and know the subject well.

• Suitable topics include Hindu traditions, foreign countries, family, and cricket.

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Polychronic cultures — **Monochronic cultures**
SOUTHERN EUROPE — EAST ASIA — CENTRAL EUROPE
INDIA — GERMANY
LATIN AMERICA — ANGLO CULTURES / NORTHERN EUROPE

Relationship-focused cultures — **Deal-focused cultures**
EAST ASIA — ANGLO CULTURES
INDIA — USA
NORTHERN EUROPE

Hierarchical cultures — **Egalitarian cultures**
FRANCE — NORTH AMERICA
INDIA — NORDIC COUNTRIES
SOUTHERN EUROPE — UK — AUSTRALIA / NZ

High context – indirect language — **Low context – direct language**
EAST ASIA — FRANCE — USA — NL
INDIA — GERMANY
SOUTHERN EUROPE — UK — N. EUROPE

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POLYCHRONIC CULTURE IN INDIA

Polychronic cultures

SOUTHERN EUROPE

Monochronic cultures

EAST ASIA   CENTRAL EUROPE

⇦ INDIA   GERMANY ⇨

LATIN AMERICA

ANGLO CULTURES
NORTHERN EUROPE

- Why do Indian vendors seem to have no sense of urgency?
- Deliveries are always late; deadlines are constantly missed.
- Indians tend to promise more than they deliver.

CLIMATE AND TIME BEHAVIOUR
Singapore air-conditioned island

Your counterparts may be monochronic, but:
- they are surrounded by polychronic behaviour.
- the main problems occur in meetings with government officials.
- Indian vendors hate to disappoint customers, so they delay giving bad news
  until it is too late

Surviving polychronic time behaviour:

- Late starts and interruptions during meetings: Be patient.
- Phones being answered and texts being written during meetings: Relax and get used to it.
- Tardiness and delays in delivery:
  - Keep an eye on vendors and partners with a local presence.
  - Build in an appropriate margin of time.
  - Work to create a shared time culture.

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BUSINESS CULTURE IN INDIA

Relationship-focused cultures
EAST ASIA

Deal-focused cultures
ANGLO CULTURES

⇦   INDIA   USA ⇨

NORTHERN EUROPE

- **Low level of trust: expect to be introduced by an intermediary.**

- **Great importance of face-to-face meetings: there is little separation
  between business life and private life,**
  - **Get used to dining out every night with your counterparts.**

- **Decision-making tends to be slow and deliberate. Counterparts who try
  to hasten the negotiation process are distrusted.**

- **Indians rely on relationships, intermediaries, contacts, referrals and
  introductions rather than laws and regulations to solve problems: This
  commonly drives to corruption and bribery:**

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BUSINESS CULTURE IN INDIA

Relationship-focused cultures
EAST ASIA

Deal-focused cultures
ANGLO CULTURES

INDIA   USA

NORTHERN EUROPE

Negotiating with Indian government officials (Gesteland, 2010. 36-37)
Einar, the general manager of the New Delhi office of a Nordic company, one day received a phone call from a high-ranking official in the ministry he deals with. "I've heard you are looking for a new senior purchasing specialist. Well, my nephew Subhash is going to apply today. He is the man for the job. I'm sure you will consider him."

A few minutes later Einar received a fax from Subhash with his curriculum vitae. A glance at the CV showed that the official's nephew had no qualifications whatever for the position, so Einar invited his local legal advisor, Man Singh, for a meeting to discuss the issue. The lawyer explained that this key official obviously expected Einar to hire his nephew.

When the ex-pat objected that Subhash lacked the qualifications for the job, Man Singh smiled and replied, "Oh, Subhash's uncle doesn't expect him to actually do the work. In fact, the nephew won't even come to the office, except once a month to collect his salary. So, you just go ahead and hire some other qualified person to do the work. It happens here all the time. No problem."

But Einar did have a problem. His tight budget left him room to hire only one new employee. When he phoned his boss at the home office, she replied: "No! That's just blatant bribery. You'll have to find another solution. You know how tight budgets are this year."

What could Einar do now? On the one hand, Einar couldn't afford to offend the ministry official. On the other hand, he did not have the budget to hire two people and he needed the senior purchasing specialist urgently. After some agonizing thinking, Einar reluctantly decided to tell the official that his nephew would be invited for an interview and given all due consideration. When the interview revealed that Subhash lacked the necessary qualifications, Einar hired someone else instead. However, Einar also told Subhash that he would call some of his ex-pat friends to see if they needed an employee with his qualifications.

This is perhaps why Einar's decision did not disrupt his firm's relationship with the ministry official. However, each ex-pat manager faced with this real-world situation will need to decide how to handle it based on his/her particular circumstances.

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BUSINESS CULTURE IN INDIA

Hierarchical cultures

Egalitarian cultures

FRANCE   NORTH AMERICA

INDIA   NORDIC COUNTRIES

SOUTHERN EUROPE   UK   AUSTRALIA / NZ

- **Why can't our Indian counterparts make simple decisions on their own?**
- **Why do they need to be micro-managed?**
- **How big is the gender barrier in India?**
- **Why do they always need to include 15 or 20 cc's in their e-mails?**
- **How can we point out mistakes without causing loss of face?**

Hierarchical business culture in India:

- India is one of the most status-conscious hierarchical cultures.

- In modern industries, such as IT, media and advertising, you may find Western norms of behaviour, while in the same city you may also encounter traditional Indian customs.

- Women business visitors and ex-pats can expect fewer gender-related problems than in most of the Middle East, Japan or Korea. However, this does not mean that things are easy for women. India is a patriarchal society and women have to face unfavourable demographic outcomes such as early marriage and social discrimination. Often, they are also the targets of domestic and social violence.

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BUSINESS CULTURE IN INDIA

High context – indirect language   Low context – direct language

EAST ASIA   FRANCE   USA   NL

INDIA   GERMANY

SOUTHERN EUROPE   UK   N. EUROPE

In India, when does "yes" really mean "yes"?

- When a spoken "yes" is said with emphasis. A weak or muttered "yes" almost always means "no".

- When the word is accompanied by specific details. A one- or two-word affirmative very often means "no".

- When it is confirmed in a detailed follow-up e-mail, fax or letter.

- More importantly, when you have a personal, face-to-face relationship with the person who said "yes", especially if the word is uttered with emphasis, accompanied by details, or confirmed in a detailed written reply.

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BUSINESS CULTURE IN INDIA

Distinctive cultural attributes of Indian society

• Values in relation to hedonism

• Power, status and money are valued. Rich people are considered superior to others. Displaying luxury and living extravagantly are considered important by upper- and lower-class societies alike. Past emperors were known to lead a luxurious life and possessed palaces, assets and several wives.

• Values in relation to life satisfaction

• As well as personal welfare, Indian society seeks the welfare of the collective. A focus on maintaining relationships among group members and helping others through charities and donations is considered satisfying.

Source: Dheer, Lenartowicz and Peterson (2015)

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BUSINESS CULTURE IN INDIA

Distinctive cultural attributes of Indian society

• Values in relation to the formulation of goals

• As well as Karma and Dharma, autonomy and success are also considered important. People emphasize formulating goals independently. However, importance is attached to upholding the prestige and social status of the family when formulating goals.

Source: Dheer, Lenartowicz and Peterson (2015)

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BUSINESS CULTURE IN INDIA

Dharma and business

Dharma (धर्म): individuals are at the centre of the universe and are therefore responsible for their actions and the consequences of those actions.

Dharma relies on the concept of obligation or responsibility.

The concepts supporting the *dharma* in business are:
 Sangraha Loka (public good): business people should not work solely for personal benefit but also for the public good. While seeking personal benefit, we must meet the needs of others.
 Kausalam (effectiveness): optimal use should be made of resources, which should be preserved for future generations.
 Vividhta (innovation): as well as survival, businesses must trigger continuous innovation while seeking effective solutions to meet the economic and social expectations.
 Jigyasa (learning): change and continuity must coexist, so companies must feed off of society through the processes of change, challenge and training.

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BUSINESS CULTURE IN INDIA

Caste system (varna)
Varna means color; the lighter the skin, the higher the caste.

- **Brāhmin** (priests) are the highest caste. According to tradition, they come from Brahma's mouth.

- **Kshatriya** (military/political class) come from Brahma's shoulders.

- **Vaishyas** (merchants, artisans and agricultural and livestock farmers) were formed from Brahma's hips.

- **Sudra** (slaves) were formed from Brahma's feet.

- Untouchables, or **dalits** (pariahs, mlechas), are a class so low that they are considered to be outside the **varnas** system.
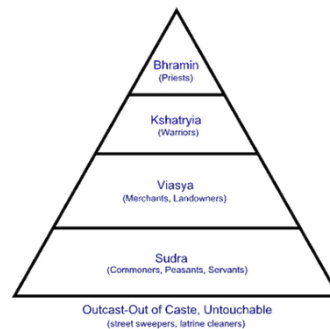
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Useful websites in India

- www.meaindia.nic.in **(Ministry of Foreign Affairs)**
- www.dgft.nic.in **(Department of Foreign Trade)**
- www.iic.nic.in **(Investment centre)**
- www.eximbankindia.com **(Indian Import and Export Bank)**
- www.cbec.gov.in **(Customs)**
- www.assocham.org **(Chambers of Commerce)**
- www.fieo.com **(Federation of Exporters)**
- www.trade-india.com **(Import and export companies directory)**
- www.webindia.com **(Business directory)**
- www.timesofindia.com
- www.business-standard.com

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Kazakhstan and clanism

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Kazakhstan

- Kazakhstan has 17 million inhabitants and over 120 nationalities. Only 63% of the population are of Kazakh origin.

- Russian colonialism and Soviet rules have a strong influence.

- The importance of the region (Central Asia) is due to its oil, gas, mineral and energy reserves (inward FDI).

- Oil and minerals account for 80% of exports.

- It is characterized by high levels of uncertainty avoidance, power distance and particularism, and a fairly high context culture.

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Clanism

- The concept of 'clan' carries no negative connotation in Central Asia. It is mainly associated with informal institutions, reciprocal relations and interdependence.

- It is an "informal social network characterized by an extensive network of kin ties or perceived and imagined relations".

- These **social relations shape and constrain** the preferences and **decisions** of individual actors.

Clanism

- Clans are very important in Central Asia and persist because of three reasons: the late formation of the state, the late formation of a national identity, and the absence of a market economy.
- Everybody belongs to a defined clan and recognize themselves as "one of us" (*bizdiki* or *nasha*). This is crucial for doing business.
- Clans involve mutual assistance among kin. Kazakhs do not conceptualize their lives outside of kinship relationships.
- Immediate kinship is as important as distant kinship.
- Clans include both blood ties and relatives through marriage. They also include fictive kin identities such as old school ties and long-lasting friendships, etc.
- Clans are important for all kind of **decisions**: e.g. who to hire, who to buy inputs from, who to help, etc. In this sense, being sensitive to clan demands is "taken for granted" or "obligated".

Clanism vs other related indigenous practices

- **Clans differ from clientelism** (dyadic economic ties), corruption (illegal practice) and mafias (illegal and violent activity).

- **Clans differ from Blat**, which serve the needs of personal consumption.

- **Clans differ from Guanxi**, which encompasses dyadic relationships between individuals that are implicitly based on mutual interests and benefits.

- Since clans are based on kin-based bonds, **reciprocal relations may not be between individuals** but between the individual and the group with which the individual identifies. This behaviour is accepted and taken for granted.

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Useful websites in Kazakhstan
www.kazakhstan.com

- **Government:** www.government.kz; www.khabar.kz

- **News:** www.kazinform.kz; www.kazpravada.kz; www.khabar.kz

- **Trade fairs:** www.iteca.kz; www.kazexpo.kz

- **Tourism:** www.airastana.com

- **Foreign affairs**: www.mfa.kz

- **Trade and industry:** www.cci.kz

- **Kazakhstan :** www.kazesp.org

- **Spanish embassy in Astana:**
  http://www.maec.es/embajadas/astana/es/home

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