

## **PART TWO**

### **COMPARATIVE ENVIRONMENTAL FRAMEWORKS**

## **CHAPTER TWO**

### **THE CULTURAL ENVIRONMENTS FACING BUSINESS**

#### **OBJECTIVES**

- Understand methods for learning about cultural environments
- Grasp the major causes of cultural difference and change
- Discuss behavioral factors influencing countries' business practices  
Recognize the complexities of cross cultural information differences, especially communications
- Analyze guidelines for cultural adjustment  
Grasp the diverse ways that national cultures may evolve

#### **CHAPTER OVERVIEW**

When companies source, manufacture, and/or market products in foreign countries, they encounter fascinating and often challenging cultural environments. Chapter Two examines the dynamics of culture and its effect upon international business operations and strategy. Culture and business practices are ever changing and these shifting trends are incorporated in the cases and examples. While exploring the causes of cultural differences, rigidities, and changes, it focuses upon the impact of cultural traditions on business activities, as well as the mutually satisfactory reconciliation of cultural differences. The chapter concludes with a discussion of the ways in which firms can potentially maximize their effectiveness while operating in a world of complex and dynamic cultural diversities.

#### **CHAPTER OUTLINE**

##### **OPENING CASE: SAUDI ARABIA'S DYNAMIC CULTURE: THE JAVA LOUNGE—ADJUSTING TO SAUDI ARABIAN CULTURE [See Map 2.1.]**

This case provides a striking example of the challenges presented to foreign firms by a pervasive, theocratic, national culture. It shows why companies have had mixed success in Saudi Arabia, a modern yet ancient society grounded in Islamic law, religious convictions, and behavioral traditions. In particular, the case highlights the example of the Java Lounge, a new, up-scale Jeddah restaurant that serves an affluent niche of Saudi consumers. Further, it describes ways in which a variety of foreign firms have adjusted their products, facilities, and operating strategies in order to meet government requirements and yet satisfy the Saudi consumer. It points out numerous paradoxes one may encounter regarding Saudi legal sanctions, purchasing patterns,

and attitudes toward work. A key point to make when discussing the case is that even in this very rigid culture, things are changing. For example, a 2008 royal decree allows men and women to mix in the workplace. Although this has not had a dramatic impact in practices, it is the beginning of a potentially more open environment. The case concludes by noting some of the opportunities that exist in Saudi Arabia—either because of or in spite of the contrasts and contradictions found there.

## Questions

- 2.1 *Assume you are a manager in a multinational company that needs to send a team of three to five people to Saudi Arabia for about two weeks to investigate the feasibility of selling your products there. What advice would you give them to help assure that cultural problems do not impede their success in this task?*

Saudi Arabia is a high context culture; information resides in context, with emphasis on background and basic values. In Saudi Arabia there is less emphasis on legal paperwork and greater focus on personal negotiation. Saudis will not take well to pressure tactics that place them in an uncomfortable position. Confrontation and conflict are to be avoided.

Finally, understanding Islam, which governs every aspect of a Muslim's life, enhances how and why Saudi business people act or behave in a certain manner. (LO: 1, Learning Outcome: Understanding the methods for learning about cultural environments, AACSB: Multicultural Diversity and Understanding)

- 2.2 *Assume your company is from North America or Europe and considering the establishment of an office in Saudi Arabia. What additional operating costs might it have to assume because of the Saudi culture?*

Because Muslim men are called to prayer five times a day, business will normally cease operation during those periods. (LO: 2, Learning Outcome: Grasp the major causes of cultural differences and change, AACSB: Multicultural and Diversity Understanding)

**TEACHING TIPS:** Carefully review the PowerPoint slides for Chapter Two. An additional source of information on Saudi culture, as well as other cultures, can be found at [www.executiveplanet.com](http://www.executiveplanet.com).

## I. INTRODUCTION

**Culture** refers to learned norms based on the values, attitudes, and beliefs of a group of people. Often, people simultaneously belong to different groups representing different cultures and/or subcultures. Further, every business function is subject to cultural influences. **Cultural diversity** means bringing together people of different backgrounds, perspectives, and experience. Thus, major problems of **cultural collision** are likely to occur

if a firm implements practices that are less effective than intended and/or employees are unable to accept or adjust to foreign customs. Thus, it is vital that firms determine which business practices vary in a foreign country and what adjustments, if any, are necessary. At the same time, cultural diversity can be a source of competitive advantage for global firms. [See Fig. 2.1.]

## **II. CULTURAL AWARENESS**

Although people agree that cross-cultural differences do exist, they often disagree on their impact. Are they widespread or exceptional? Are they deep-seated or superficial? Are they easily discerned or difficult to perceive? It is vital that managers develop an acute awareness of all those cultures in which they operate. Cultural variables include daily routines and rules, codes of social relations, language, emotive expression, and concepts of luck. In addition, not only are there differences that distinguish various cultures, there is also a good deal of variation found within cultures. Another caution should be sounded when relying on cultural studies. These studies are only available for less than half the world's countries. Finally, because cultures are dynamic, current attitudes and behaviors may well change in the future. There are some concerns with the existing research for a number of reasons. First, comparing countries based upon what people say may be risky. Second, a focus on differences in terms of averages may overlook specific variations within countries. Third, current cultural attitudes may change in the future.

## **III. THE IDEA OF A "NATION": DELINEATING CULTURES**

The idea of a "nation" provides a workable definition of a "culture" because the basic similarities among people are often both cause and effect of national boundaries. While nations are a useful but imperfect reference for international business, language and religion often serve as stabilizing influences on culture.

### **A. The Nation as a Point of Reference**

The nation provides a workable definition of a culture because the basic similarity among people within countries (e.g., values, language, and race) is both a cause and an effect of national boundaries; in addition, laws apply primarily along national lines. National identity is perpetuated through the rites and symbols of a country and a common perception of history. At the same time, various subcultures and ethnic groups may transcend national boundaries. In many instances, non-national similarities (such as management vs. labor) may link groups from different nations more closely than certain groups within a nation. While nations usually include various subcultures, ethnic groups, races, and classes, the nation legitimizes itself by mediating the different interests. Nations that fail in this role often dissolve.

### **B. How Culture Forms and Changes**

Culture is transmitted in a variety of ways, but psychologists believe that children have their basic value systems firmly in place. Nonetheless, individual and societal values and customs constantly evolve in response to changing economic and social realities. Cultural change can be brought about by choice or imposition; change that is brought about by imposition is known as **cultural imperialism**. The introduction of certain elements of an outside culture may be referred to as *creolization*, or *cultural diffusion*.

### **C. Language as Both a Diffuser and Stabilizer of Culture**

While a common language within a country serves as a unifying force, language diversity may undermine a firm's ability to conduct business, to integrate workforces, and to market products on a national level. Isolation from other groups, especially because of language, tends to stabilize cultures. Because some countries see language as such an integral part of their cultures, they may regulate the inclusion of foreign words and/or mandate the use of the country's official language for business purposes. [See Map 2.2 and Fig. 2.2.]

#### **D. Religion as a Cultural Stabilizer**

Religion can be a strong shaper of values and beliefs and is a major source of both cultural imperatives and taboos. Buddhism, Christianity, Hinduism, Islam, and Judaism represent just some of the religions whose specific beliefs may affect business practices. Still in all, not all nations that practice the same basic religion place identical constraints on business. In addition, violence among religious groups can damage property and disrupt business activities for both home and host country firms. [See Map 2.3.]

### **DOES GEOGRAPHY MATTER? Birds of a Feather Flock Together**

The more isolated people are, the less likely they will influence and be influenced by other cultures. Although transportation and communications systems have rendered many natural barriers less formidable, they still play a role. Natural conditions affect people's preferred physical culture, as well as the words used to describe it. Proximity also speeds cultural diffusion—people generally have more contact with others nearby than those far away. However, certain notable exceptions, including the appearance of *subcultures*, have been caused by colonization and immigration.

## **IV. BEHAVIORAL PRACTICES AFFECTING BUSINESS**

Cultural attitudes and values affect business practices – everything from decisions about what products to sell to decisions about organizing, financing, managing, and controlling operations. Some of the more important aspects of culture are mentioned below.

### **A. ISSUES IN SOCIAL STRATIFICATION**

Every culture in some way values some people more than others.

#### **1. Ascribed and Acquired Membership**

People fall into social stratification systems according to group memberships that, in turn, determine a person's degree of access to economic resources, prestige, employment, social relations, and power. **Ascribed group memberships** are defined at birth and are based on characteristics such as gender, family, age, caste, and ethnic, racial, or national origin. **Acquired group memberships** are based on one's choice of affiliations, such as political party, religion, and professional organizations. Social stratification affects both business strategy and operational practices.

#### **2. Open and Closed Societies**

The more egalitarian, or "open," a society, the less the importance of ascribed membership in determining rewards. In some cases, ascribed group membership

may deny certain groups opportunities, while promoting the interests of other groups. Opposition to certain groups may come from other workers, customers, local stockholders, or government officials.

3. **Gender-Based Groups.** Strong country-specific differences exist in attitudes toward the roles of males and females in society and the workplace, as well as the types of jobs regarded as “male” or “female.” However, in some parts of the world, barriers to employment based on gender are easing. In addition, as the composition of jobs becomes less physical and more creative and/or technical, the relative demand for female employees is also increasing.
4. **Age-Based Groups.** Many cultures assume that age and wisdom are correlated; thus, they often have a seniority-based system of advancement. In others, there is an emphasis on youth, particularly in the realm of marketing. Often there is a mandatory retirement age in business, but not in politics. Clearly, firms must consider reference groups when deciding whom to hire and how best to promote their products.
5. **Family-Based Groups.** In some societies, family membership is more important than individual achievement. Where there is low trust outside the family, such as in China and southern Italy, small family-run companies are generally quite successful, but they often have difficulty expanding beyond the family. In addition, such allegiances may impede the economic development of a nation if large-scale operations are necessary to compete globally.

## **B. Work Motivation**

Employees who are motivated to work long and hard are generally more productive than those who are not. On an aggregate basis, this will have a positive effect on economic development and national competitiveness.

1. **Materialism and Motivation.** Countries differ in their degree of materialism. In some societies, such as Japan and the United States, people desire less leisure time than others, such as much of Europe. Sociologist Max Weber claimed that predominantly Protestant Western economies were the most economically developed because of their emphasis on hard work and investment. This view of work as a path to salvation (an outgrowth of the Reformation) is known as the “Protestant ethic.” In rural India, however, where minimal material achievement is a desirable end in itself, any added productivity will likely be taken in the form of leisure, rather than income. In still other countries, leaders stress the need for a culture that combines material comforts with spirituality. An interesting OECD study of the trade-off between productivity and leisure points out the disparity even among high-income countries. Even with this disparity, most people in most countries see economic advancement as an important life goal.
2. **Productivity/Leisure Trade-Off.** Some cultures place less value on leisure time. This can impact many social and employment aspects, such as vacations, holidays, and the amount of money spent on leisure activities.
3. **Expectation of Success and Reward.** Although the same tasks performed in different countries will have different probabilities of success, different rewards for success, and different consequences for failure, people will usually work harder at any task when the reward for success is greater than the consequence of failure. The greatest enthusiasm for work exists when high uncertainty of success is

combined with the likelihood of a very positive reward for success and little or none for failure.

**4. Performance and Achievement: The Masculinity-Femininity Index.**

Hofstede's study of managers from more than fifty countries defines a person who ranks high on the *masculinity-femininity index* as someone who admires the successful achiever, has little sympathy for the unfortunate, and prefers to be better than others. Such a person believes that it is better "to live to work" than "to work to live." However, those attitudes, as well as a preference for growth and profitability over quality of life and environment, are not shared by all. Further, countries also differ in the degree to which individuals are assertive, confrontational, and aggressive in their relationships with others. Thus, country managers will be motivated in a variety of different ways.

**5. Hierarchies of Needs.** Maslow's **hierarchy of needs** states that people will try to fulfill lower-order physiological needs before satisfying (in order) their security, affiliation, esteem, and self-actualization needs. This theory can be especially helpful for differentiating the reward preferences of employees in different countries, who may likely rank some of their higher-order needs differently. An example of these differences can be discussed using the ethnographic study comparing the U.S, the Dominican Republic, and Barbados.

**C. Relationship Preferences**

Within social stratification systems, not every member of a reference group is necessarily equal. In addition, there may be strong or weak pressures for group conformity. Such national differences in norms influence both effective management styles and marketing behavior.

- 1. Power Distance.** **Power distance** describes the relationship between superiors and subordinates. Hofstede's study states that when power distance is high, the management style is generally distant, i.e., autocratic or paternalistic. When power distance is low, managers tend to interact with and consult their subordinates during the decision-making process.
- 2. Individualism versus Collectivism.** Hofstede's study defines *individualism* as a person's desire for personal freedom, time, and challenge. His/her dependence on the organization is low, and self-actualization is a prime motivator. On the other hand, *collectivism* indicates a person's dependence on and allegiance to the organization, as well as his/her desire for training, collaboration, and shared rewards. A prime motivator is a safe physical and emotional environment. (Examples of countries ranking high on individualism are Australia, Britain, and the United States; those ranking high on collectivism are China, Mexico, and Japan.) It should also be noted that in many instances, an individual's preference for individualism vs. collectivism will be more important than the national norm relating to the same preferences. The concept of family may also impact cultural analysis, as the definition and concept of the nuclear family, including vertical and horizontal extended family, may vary between cultures.

**D. Risk-Taking Behavior**

Nationalities differ in their attitudes toward *risk-taking*, i.e., how willingly people accept things the way they are and how great their need for control of their destinies.

- 1. Uncertainty Avoidance.** Hofstede's study describes uncertainty avoidance as one's tolerance of risk. When the score is high, workers need precise directions

and the prospect of long-term employment, while consumers are wary about trying new products. When the score is low, workers are willing to be creative and to move to new jobs, while consumers accept the risk of being the first to try new products. (Examples of countries ranking high on uncertainty avoidance are Belgium and Portugal; those ranking low are Britain and Denmark.)

2. **Trust.** Trust represents one's belief in the reliability and honesty of another. Where trust is high, there tends to be a lower cost of doing business because managers devote less time to investigation and oversight and more to innovation and investment. (While Norwegians tend to exhibit a high degree of trust, Brazilians tend to be skeptical.)
3. **Future Orientation.** Individuals who tend to live for the present as opposed to for the future see risks in delaying gratification and investing for the future. Where future orientation is higher, workers will more likely be motivated by types of delayed compensation, such as retirement programs. (While a future orientation tends to be higher in Canada, the Netherlands, and Switzerland, it tends to be lower in Italy, Poland, and Russia.)
4. **Fatalism.** Fatalism represents the belief that life is predestined, that every event is inevitable, that occurrences represent "the will of God." Unlike those who believe strongly in self-determination and basic cause-and-effect relationships, fatalists are not likely to plan for contingencies or take responsibility for performance. Thus they are less swayed by persuasive logic than by personal relationships.

#### **E. Information and Task Processing**

People from different cultures obtain, perceive, and process information in different ways; thus, they may also reach different conclusions.

1. **Perception of Cues.** People perceive cues selectively. They identify things by means of their senses (sight, smell, touch, taste, and sound) and in various ways within each sense. The particular cues used will vary both for physiological and cultural reasons (e.g., differences in eye pigmentation enable some to distinguish colors better than others; the richer and more precise a language, the better one's ability to express subtleties).
2. **Obtaining Information: Low-Context versus High-Context Cultures.** Language represents a culture's primary means of communication. In a **low-context culture**, people rely on explicit, first-hand information that bears directly on a decision or situation; people say what they mean and mean what they say. In a **high-context culture**, people rely on implicit, peripheral information and infer meaning from things communicated indirectly; relationships are very important; (e.g., while the United States and most of northern Europe are considered to be low-context cultures, most countries in southern Europe are considered to be high-context cultures).
3. **Information Processing.** All cultures categorize, plan, and quantify, but the ordering and classification systems used often vary. In **monochronic** cultures (e.g., northern Europeans) people prefer to work sequentially, but in **polychronic** cultures (e.g., southern Europeans) people are more comfortable working on multiple tasks at one time. Likewise, in some cultures people focus first on the whole and then on the parts; similarly, some cultures will determine principles

before they try to resolve small issues (**idealism**), whereas other cultures will focus more on details rather than principles (**pragmatism**).

#### **F. Communications**

Communication problems may arise when moving from one country to another, even though both countries share the same official language. Of course, problems also arise when moving from one language to another.

1. **Spoken and Written Language.** Translating one language into another can be very difficult because (a) some words do not have a precise translation, (b) the common meaning of words is constantly evolving, (c) words may mean different things in different contexts, and (d) a slight misuse of vocabulary or word placement may change meanings substantially. Further, while jokes and laughter have universal appeal, much humor does not. Therefore, words must be chosen very carefully, because poor translations may have tragic consequences. [See Table 2.1.]
2. **Silent Language.** Silent language incorporates the wide variety of nonverbal cues through which messages are sent—intentionally or unintentionally. Color associations, the **distance** between people during conversations, the perception of **time and punctuality**, a person's perceived **prestige**, and kinesics or **body language** are all very significant. Misunderstandings in any of these areas can be serious.

### **V. DEALING WITH CULTURAL DIFFERENCES**

Once a company identifies cultural differences in the foreign countries in which it operates, must it alter its customary practices? Can individuals overcome adjustment problems when working abroad?

#### **A. Host Society Acceptance**

If products and operations do not run counter to deep-seated attitudes, or if the host country is willing to accept foreign customs as a trade-off for other advantages, significant adjustments may not be required.

#### **B. Degree of Cultural Differences**

Cultural distance represents the degree of similarity between two societies. Countries may be relatively similar to one another because they share the same language, religion, geographical location, ethnicity, and/or level of economic development. Generally, a firm should have to make fewer adjustments when moving within a culturally similar cluster than when it moves from one distinct cultural cluster to another. Nonetheless, a manager must not assume that seemingly similar countries are more alike than they really are and be lulled into a complacency that overlooks critical subtleties. [See Map 2.4.] This caution against assumptions can be seen in specific business interactions. Cultural friction can be explained using the Disney example.

#### **C. Ability to Adjust: Culture Shock**

**Culture shock** represents the trauma one experiences in a new and different culture because of having to learn to cope with a vast array of new cues and expectations.

**Reverse culture shock** occurs when people return home, having accepted the culture encountered abroad and discovering that things at home have changed during their absence.

#### **D. Company and Management Orientations**



Whether and to what extent a firm and its managers adapt to foreign cultures depends not only on the conditions within those cultures but also on the policies of the company and the attitudes of its managers.

1. **Polycentrism.** Polycentrism represents a managerial approach in which foreign operations are granted a significant degree of autonomy, in order to be responsive to the uniqueness of local cultures and other conditions.
2. **Ethnocentrism.** Ethnocentrism represents a belief that one's own culture is superior to others, and that what works at home should work abroad. Excessive *ethnocentrism* may lead to costly business failures.
3. **Geocentrism.** Geocentrism represents a managerial approach in which foreign operations are based on an informed knowledge of both home and host country needs, capabilities, and constraints.

### POINT—COUNTERPOINT: Does International Business Lead to Cultural Imperialism?

**POINT:** Modern *cultural imperialism* has come about because of the technical, political, military, and economic supremacy of the developed countries in relation to the less developed countries of the world. Exposure to news and entertainment media, extensive advertising, mass distribution, and Western tourists leads periphery peoples to believe that Western lifestyles are glamorous, exciting, and desirable. As international firms take advantage of this newly created demand, they uncaringly employ practices and attitudes that further upset the local culture and self-identity that helps stabilize a nation. While rich countries may be able to prohibit investment in culturally sensitive industries, restrict the use of foreign languages, limit the screening of foreign films, etc., periphery countries lack the resources to do so.

**COUNTERPOINT:** Although people in many countries have adopted everything from jeans to Coca-Cola, they pick and choose products based on personal interpretations of their needs in relation to the realities of the cultures in which they live. While trade-offs are often involved, globalization provides options that otherwise would not exist. Further, evidence does not indicate that the adoption of foreign products necessarily causes a change in a country's culture. With contact, cultural diffusion spreads in two directions. Cultures have always evolved, and what is occurring is the development of hybrid cultures, not cultural imperialism. Finally, foreign firms must adhere sufficiently to local culture lest they fail—and local competition may not be local at all.

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## E. Strategies for Instituting Change

Companies may need to transfer new products and/or operating methods from one country to another in order to gain a competitive advantage. To maximize the potential benefits of their foreign presence, they need to treat learning as a two-way process and transfer knowledge from home countries abroad and from host countries back home.

1. **Value systems.** The more that change upsets important values, the more resistance it will encounter. Accommodation is much more likely when changes do not interfere with deep-seated customs.

2. **Cost Benefit Analysis of Change.** Some adjustments to foreign cultures are costly to undertake, but their benefits are only marginal. The expected cost-benefit of any change must be carefully considered.
3. **Resistance to Too Much Change.** Resistance to change may be reduced if only a few demands are made at one time; others may be phased in incrementally.
4. **Participation.** A proposed change should be discussed with stakeholders in advance in order to ease their fears of adverse consequences—and perhaps gain their support.
5. **Reward Sharing.** A company may choose to provide benefits for all the stakeholders affected by a proposed change in order to gain support for it.
6. **Opinion Leadership.** Characteristics of opinion leaders often vary by country. By discovering the local channels of influence, an international firm may seek the support of opinion leaders to help speed the acceptance of change.
7. **Timing.** Many good business changes fail because they are ill-timed. Attitudes and needs change slowly, but a crisis may stimulate the acceptance of change.
8. **Learning Abroad.** The essence for undertaking transnational practices is to capitalize on diverse capabilities by transferring learning among all the countries in which a firm operates.

### LOOKING TO THE FUTURE: What Will Happen to National Cultures?

Although some tangibles have become more universal, the ways in which people cooperate, solve problems, and are motivated continue to differ. Many expect that as contact across cultures becomes more widespread and as people become more flexible citizens, hybrid cultures will develop. Others believe that national cultures will be more homogenized with respect to visible expressions of culture, but that basic values will not change. A third view is that national cultures will become stronger because of feelings of nationalism. Finally, some people feel that national borders as we know them today will change to accommodate ethnic groups and other subcultures.

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### CLOSING CASE: TESCO PLC: Leveraging Global Knowledge

Tesco PLC is a British multinational grocery and general merchandise retailer headquartered in the United Kingdom. It is the second largest retailer in the world measured by profits and the third largest retailer measured by revenues. It has stores in 14 countries across Asia, Europe, and North America and is the grocery market leader in the UK, Malaysia, the Republic of Iceland, and Thailand.

Tesco's international expansion strategy has responded to the need to be sensitive to local expectations in other countries by entering into joint ventures with local partners, such as Samsung group in South Korea, also making sure to appoint significant portion of local personnel to management positions as part of their internationalization strategy, referred to as the TESCO Project.

## Questions

- 2.3 *The United States and France are more culturally similar to the UK than are Thailand and Korea, yet TESCO failed in the former two and has been highly successful in the latter two. How might you explain this difference?*

Tesco realized that business strategies that were successful in the UK would only be successful if they were given a local flavor. The company learned that it was important to hire local staff. Also, in France, sophisticated and fashionable customers did not like the garments styled in a typically British manner. While in the United States, Tesco focused on ready meals that required higher spending as compared to ordering takeout or cooking from scratch. This was a habit in Europe, but not in the U.S. and unfortunately they attempted to introduce this concept during the recession, when many people had time and little money. (LO: 1, Learning Outcome: Understand methods for learning about cultural environments, AACSB: Multicultural and Diversity Understanding)

- 2.4 *In the context of global retailing, describe what you think is meant by “utilizing the skill and scale of the group.”*

Tesco realized that business strategies that were successful in the UK would only be successful if they were adapted to the local market. They realized that it was important to hire local staff in many of the management positions taking advantage of their expertise, and to also adapt product offering to local market tastes. (LO: 3, Learning Outcome: Discuss behavioral factors influencing countries' business practices, AACSB: Multicultural and Diversity Understanding)

- 2.5 *What is the role of global teams in sharing best practices across a firm's global operations? What advice would you give to make the teams more effective?*

As these teams came together, their diverse background, perspectives, and experiences enabled the business to gain a deeper knowledge of products and services and how to create and deliver them. Because many of these teams come from diverse cultures, it may be difficult for individuals to interact with each other. So, I might suggest a form of cultural awareness and sensitivity training to make these teams more effective. (LO: 2, Learning Outcome: Grasp the major causes of cultural difference and change, AACSB: Reflective Thinking)

- 2.6 *What cultural skill sets are needed for individuals from multiple cultures to share best practices across the global group?*

Companies are more global and employee groups more diverse than ever before. Being a good communicator is important. Learning a language may be a good start in improving cultural communication skills, but it is not enough. You also need to pick up on nonverbal skills because it is an important part of getting to know how other cultures convey messages. Also, gestures may mean completely different things in different countries. Cross-cultural

competence also comes in to play in management styles. For example, participative management may not be the best solution to use in some settings. (LO: 4, Learning Outcome: Recognize the complexities of cross-cultural information differences, especially communications, AACSB: Multicultural and Diversity Understanding)

*2.7 What are some things an MNE can do to facilitate knowledge sharing and global integration across its global business?*

Actively managing organizational knowledge can stimulate cultural change and innovation by encouraging the free flow of ideas. In this complex global business environment, these programs should be designed to help managers embrace change and encourage ideas and insight, which will often lead to innovation. (LO: 2, Learning Outcome: Grasp the major causes of cultural difference and change, AACSB: Reflective Thinking)

*2.8 Look at the TESCO web site. What actually are its businesses and what do you think this tells us about its internationalization trajectory?*

Initially a UK-based grocery retailer, TESCO has increasingly diversified into areas such as book retailing, clothing, electronics, furniture, software, financial services, and Internet services. They view retail as local because cultures, tastes, climates, and regulations are all different, but they do feel that the core skills that they have learned in one place can be applied in others. (LO: 6, Learning Outcome: Grasp the diverse ways that national cultures may evolve, AACSB: Reflective Thinking)

## **ADDITIONAL EXERCISES: Cultural Challenges**

**Exercise 2.1.** Ask students to outline the reasons why the various elements of culture (social structures and control systems, language and aesthetics, religion and other belief systems, educational systems, etc.) might increase the cost of doing business in a country. Be sure that the students illustrate their ideas with concrete examples of both cultural elements and specific countries. (LO: 3, Learning Outcome: To discuss behavioral factors influencing countries' business practices, AACSB: Analytical Skills)

**Exercise 2.2.** Choose two to five countries that are culturally diverse. Ask students to compare the cultures of those countries and to discuss the ways in which cultural differences will affect the cost of doing business in each. Conclude the discussion by examining the ways in which business practices and ethics vary across the cultures. (LO: 1, Learning Outcome: To understand methods for learning about cultural environments, AACSB: Analytical Skills)

**Exercise 2.3** In many countries religion has a dramatic effect on people's attitudes, customs, and behavior. Lead students in a comparative discussion of the potential effects of the basic beliefs of the world's major religions upon international business opportunities and operations. (LO: 2, Learning Outcome: To analyze behavioral factors influencing countries' business practices, AACSB: Dynamics of Global Economy)

**Exercise 2.4.** Pop culture can influence the development of global preferences in a number of ways. Lead students in a discussion of the ways in which movies can affect the cultural dimensions of a society. (Select particular movies, examine various values embedded in them, and discuss the nature of their impact upon the lifestyles of people around the world.) (LO: 4, Learning Outcome: To understand cultural guidelines for cultural adjustment, AACSB: Multicultural and Diversity Understanding)