

Culture, Communication, and Entrepreneurship

Dr. Jack M. Wilson, Distinguished Professor of Higher Education, Emerging Technologies, and Innovation



Culture and its Role in International Entrepreneurship

- The process and outcomes of international entrepreneurship are affected by many conditions with **culture** playing a crucial but often invisible, “soft” role, compared to “hard” variables – finance, strategy, or law.
- Among numerous practical cultural applications in international entrepreneurship three key areas stand out:
 1. international marketing,
 2. international negotiations,
 3. international management

International Marketing

- Technological advances in communication and transportation make international entrepreneurship more cost affordable and easier for a broad range of small and medium size companies.
- Falling trade barriers and proliferation of freedom in exchange of information and people make many products and marketing strategies more homogeneous on a global scale.
- However, **international marketing** continues to be different across countries, depending on regional and local cultural patterns.

International Negotiations

- Particularly crucial at initial stages of the international entrepreneurial venture initiation process.
- Strongly affected by culture.

International Management

- **managing international** joint business ventures,
- maintaining various kinds of business alliances, or
- simply managing domestic companies comprised of multicultural workforce requires complex multicultural understanding

Culture defined

- Geert Hofstede, defined **culture** as “the collective programming of the mind which distinguishes the members of one human group from another...”
- Culture, includes systems of values;
- Culture is a system of ideas and norms that are shared among a group of people and that when taken together constitute a design for living.
- Culture, a basis and outcome of interdependent transactions in business, takes place on international, national, sub national, regional, industry, and corporate levels.



Inter-national Culture

- When two or more parties from different national cultures interact in cross-border business transactions.
- Business behavior over time tends to blend into a more homogeneous pattern mitigating inter-national differences.
- A participant in a business transaction may be representing a certain nation, but his/her individual cultural profile may deviate from this nation's general cultural profile based on this person's religious affiliation, ethnic behavioral norms, position in the national social stratification and other cultural traits.
 - Note that this is “inter-national” as opposed to “international”

National Culture

- A convenient operational term, although sometimes hardly reflects reality
- In multiethnic countries national culture is often comprised of different subcultures existing in a nation along the lines of its ethnic groups, regions, industries, firms, social/interest groups, business firms, and individuals.
- Thus, the categories of national character and national culture reflect this level in integrated form.

Ethnic Culture

- **Ethnic culture** can characterize distinctive ethnic groups populating a nation: many nations are comprised of different ethnic groups, often quite distinctive in their language, religion, beliefs, values, and other cultural characteristics.
- Ex. There are three major ethnic groups in Canada
 - English speaking,
 - French speaking, and
 - native Canadians
- two major ethnic groups in Turkey (Turks and Kurds),
- several dozen relatively sizeable ethnic groups in Russia,
- and a “melting pot” in the ethnically diverse United States of America.

Regional Culture

- **Regional culture** often corresponds with the boundaries of ethnic culture but can be a mix of several ethnic cultures populating the region and differentiating themselves on the basis of local climate, geographic landscape, historical events (wars, political unions), or an industry dominant in the area.
- Ex. There are regional cultural differences that exist between northern and southern regions in many large countries (e.g. the U.S., Italy, or Germany).
 - Compare Bavarians to North Rhine Westphalians (joke here)

Organizational or Corporate Culture

- **Organizational** or corporate **culture** comprises a culture of specific organization.
- The **dynamics of corporate culture** include:
 - **routine behavior** when people interact, such as organizational rituals and ceremonies and the commonly used language;
 - **norms** that are shared by work groups throughout the organization, such as “a casual Friday”;
 - **dominant values** held by the organization, such as “commitment to quality” or a “customers come first” attitude;
 - certain **philosophy** as a driving force behind organizational policies toward employees, customers, shareholders, and other groups of stakeholders;
 - **patterns in “organizational politics,”** and the perception of organizational climate by its major stakeholders through the physical layout, the way employees interact, and resolve their conflicts.
- Corporate size also has strong impact on business culture suggesting significant differences between large and small business organizations.

-
- In a broad sense, **entrepreneurial culture** in a specific nation is a contributing factor and an outcome of the business macro environment comprised of religious effects, political forces, legal system, economic conditions, socio-demographic structure, and technological environment.
 - Under this framework, the individual's cultural profile and behavior are shaped by the family, educational systems and institutions (schools, universities), profession, gender, age, race, community, friends, personal networks, and other conditions.

Hofstede's Cross Cultural Study

- Hofstede from 1967 to 1973 surveyed 116,000 respondents from over 70 different countries around the world working in IBM's local subsidiaries in 50 countries and 3 regions.
- The Hofstede study reduced the world's vast cultural variety to six universal dimensions allowing for international comparisons in managerial patterns:
 1. **Power distance,**
 2. **Individualism,**
 3. **Masculinity,**
 4. **Uncertainty avoidance,**
 5. **Long-term orientation, and**
 6. **Indulgence.**
- *Please note that the text is out of date and only includes five measures.*

Hofstede's 6 Cultural Dimensions -China

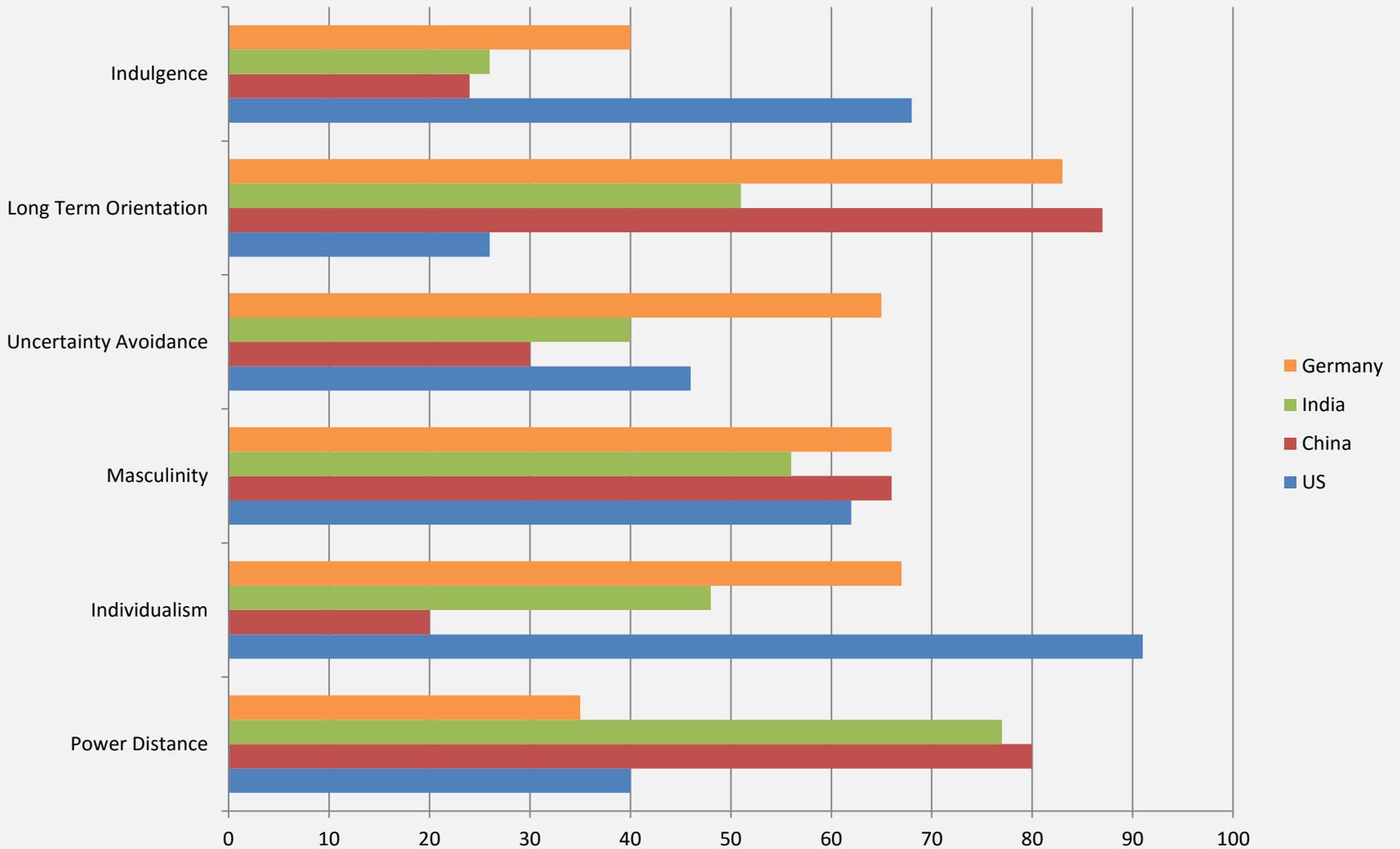
- Let us take a look at a comparison of China and the US on the Hofstede dimensions to see how these work.
- *“These cultural dimensions are deeply embedded in a country’s culture and are difficult to understand unless you are born and raised there. The Chinese culture needs to be studied and taken into consideration before entering any binding contracts. Not understanding these cultural dimensions can be damaging to any relationship you are trying to build with the Chinese.”*
 - <https://alexnstone.wordpress.com/2012/01/14/hofstedes-5-cultural-dimensions-for-china/>
- See also
 - <http://geert-hofstede.com/united-states.html>
 - <http://geert-hofstede.com/china.html>

-
- **Masculinity/Femininity (MAS) -China 66 vs US 62**
 - This is the first dimension where the Americans and the Chinese rank similarly. China ranks **66** for this dimension, meaning they are very driven by successful, competition, and achievements. The Chinese will often put work before family or leisurely activities. This dimension can be seen in the fact that Chinese workers will leave their families to go work at factories for 11 months out of the year, proving how important work truly is to them.
 - **Uncertainty Avoidance (UAI) – -China 30 vs US 46**
 - This is the second dimension where Americans and Chinese rank similarly as well. China ranks **30**, meaning they accept ambiguous situations and are not deterred by them. It may seem like China has a lot of rules and regulations in place to avoid ambiguous or uncertain situations, however they are willing to bend and changes the rules as situations require it. The Chinese language is also very ambiguous; the Chinese characters are hard to interpret or understand if it is not your native language.

-
- Power Distance (PDI) -China 80 vs US 40
 - – Power distance is the extent to which less powerful people in an organization will accept and expect power to be distributed differently. China ranks **80** on PDI which is very high. This means there is a lot of power distance between subordinates and superiors, but that it is accepted and normal.
 - Individualism (IDV) -China 20 vs US 91
 - – This is whether or not people think with the mentality of “I” or “We.” The American culture is very “I” focused, meaning that we focus more on furthering ourselves and careers versus furthering our department or group. On the other hand, China ranks **20** on IDV, meaning that they are highly collectivistic and think as a group versus individually. This can be seen with the high amount of in-groups and out-groups

-
- Long-term/Short-term Orientation (LTO) -China 87 vs US 26
 - The Chinese rank extremely high on long term orientation at **87**, meaning they focus on persistence and perseverance, and that they will dedicate however much time is required to achieve their goals. This is seen in the very time consuming Chinese negotiation process, the time required to build trust and long-term relationships, and their focus on long term results versus short term goals
 - Indulgence -China 24 vs US 68
 - This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called “Indulgence” and relatively strong control is called “Restraint”. Cultures can, therefore, be described as Indulgent or Restrained.
 - China is a Restrained society as can be seen in its low score of 24 in this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, Restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are Restrained by social norms and feel that indulging themselves is somewhat wrong.

Compare a Few of our Major Trading Partners



Trompenaars National Culture Study

- F. Trompenaars, in the 1980's, studied over 15,000 people in organizations in 47 countries and came up with seven cultural dimensions:
 1. **universalism vs. particularism,**
 2. **individualism vs. collectivism,**
 3. **neutral vs. emotional,**
 4. **specific vs. diffuse,**
 5. **achievement vs. ascription,**
 6. **perception and use of time, and**
 7. **perception of physical environment.**
- Although Hofstede and Trompenaars' studies have methodological and practical limitations, they give the international entrepreneur a good framework for cross-cultural generalization and practical guidance.

Cross-Cultural Aspects of International Communication

- **Communication** is the heart of business.
- Communication is highly affected by culture.
- Initiation of international business venture requires complex research of products, markets, technologies, financing, cost analysis, legal issues, global positioning, entry strategy, and other issues.
- These activities involve reading, listening, speaking, writing, interacting with other people, and eventually traveling and negotiating internationally.
- International marketing includes collecting information on products, prices, promotion, channels of distribution networks where personal connections and other informal aspects are paramount.
- Finding a reliable international distributor or a client, building trust requires strong motivational, communication, and other human skills.
- Managing a foreign subsidiary, a joint venture, or maintaining an international business alliance requires complex knowledge and applications in international management where human communication is a key.

Communication

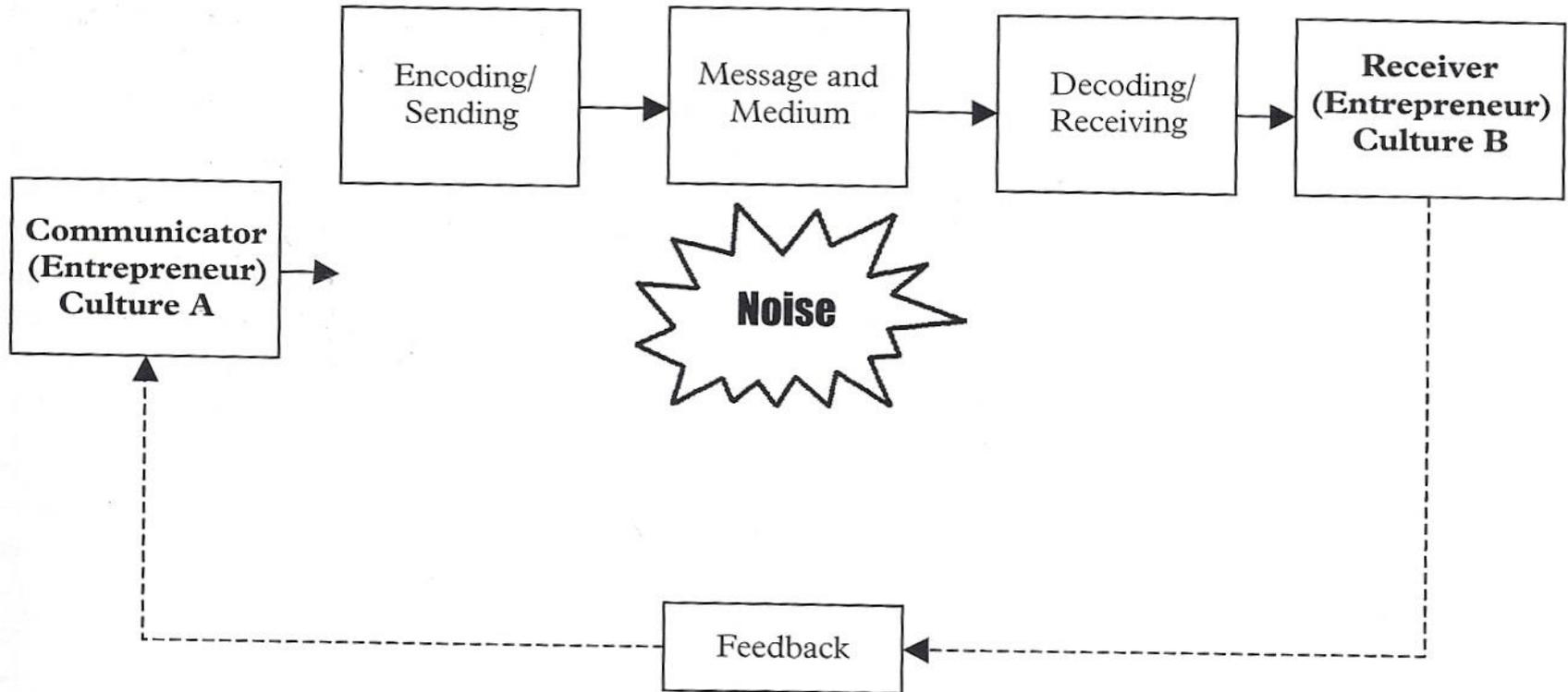


FIGURE 8.2 A Cross-Cultural Communication Process Model

(Adapted from Deresky, H. 2003. *International Management: Managing Across Borders and Cultures*. New Jersey: Pearson Education, Inc.: 126–127.)

Cross-Cultural Communications Process Model

- **Communicator:** In the global business environment an entrepreneur from culture A (for example, the U.S.) may initiate his/her international business venture by sending ideas, inquires, intentions, descriptions, samples, etc. to an individual from culture B, for example Japan.
- **Encoding/sending:** The U.S. entrepreneur transforms his/her business ideas, inquires, etc. into a certain transmittable format (verbal, written, graphic, non-verbal, etc.) that the Japanese counterpart should understand.
- **Message:** The U.S. entrepreneur sends a verbal or non-verbal message with a definite intended content (e.g. a business proposal or pro-forma invoice). However, this intended content is transmitted in a certain environment that also includes unintended components: a tone of voice (in case of a verbal communication), facial expression, body language (in case of a face-to-face communication), a writing style, or some business circumstances relevant to the situation.

Communication Process Model contd.

- **Medium:** Channel through which the message is sent. The U.S. entrepreneur can choose from a variety of options: e-mail, fax, telephone, face-to-face meeting, videoconference, the Internet, etc.
- Ex. Making an unsolicited (“cold”) call is a common practice in the U.S. However, in many Asian cultures, including Japan, this practice is less acceptable, and using an intermediary is a common way of initiating business communication.
- **Decoding/receiving:** Using his/her own cultural frame of reference, level of education, professional knowledge and previous business experience, the Japanese counterpart receives, interprets, and understands the message in the cultural and situational business context. The receiver then may decide to provide feedback to the communicator that is often used to confirm that the message was received and had the intended effect on the receiver.
- **Noise:** At every stage, the communication process is distorted by the environmental impact. It can be a language barrier, technological incompatibility, or for socio-economic reasons.

Content/Context

- One of the major cross-cultural differences in international entrepreneurship depends on the balance between content and context in communication between individuals affiliated with different national cultures.
 - **High content/low context cultures** stress straightforward exchange in facts in communication.
 - Information is given primarily in words, and meaning is expressed explicitly
 - Examples are the U.S. or Germany.
 - In the United States, New York is generally known as a high content low context culture and Texas is more of a high context culture.

Content/Context

- High context/low content - Under this type of communication shared experience and established personal relations make certain things well understood without them needing to be stated explicitly.
- Cultures, like Japan, China, or some Arab nations, have a tendency to emphasize this communication style.
- Ex. The relationship-based Japanese culture tends to avoid “losing face.” Instead of saying “no” to a proposal, a Japanese counterpart is likely to say: “It will be difficult,” or “I will think about your proposal.”
 - After many business visits to Japan, I cannot remember ever hearing a “no.” One morning, I asked a waitress if she could bring me an American breakfast. “Hai” she replied, but she never moved. So I asked again “can you bring me an American breakfast?” “Hai” she repeated. Slowly it dawned on me. “You only have a Japanese breakfast here?” I asked. “Hai,” she repeated but still did not move. “Then please bring me a Japanese breakfast,” I tried. “Hai,” she said and trotted off to bring me my breakfast. Getting to a real “yes” in Japan demands that you read the context.

Additional Communication Characteristics

- **direct** (preference for explicit one or two-way communication, primarily in words, including identification, diagnosis, and management of a conflict) **vs. indirect** (preference for implicit communication and conflict avoidance);
- **expressive** (emotive and personal communication style with high degree of subjectivity, stress on relationships) **vs. instrumental** (unemotional, impersonal, high degree of objectivity);
- **formal** (high emphasis on following protocol and social order) **vs. informal** (stress on dispensing with ceremony and rigid protocol).

Cross Cultural Aspects of International Negotiations

International business negotiations take place at every stage of the entrepreneurial process, from venture initiation to termination of business relationships.

The key steps in the international negotiation process:

- 1) preparation (collecting task-related information, forming the negotiating team, preparing the agenda),
- 2) building the relationship (establishing rapport, entertaining an international counterpart's team, learning about personalities, gaining trust),
- 3) first round of task-related information exchange,
- 4) persuasion (applying strategies, tactics, and arguments to strive in achieving the set goals),
- 5) concessions (making and discussing counterproposals resulting from the first round of information exchange),
- 6) reaching and legitimizing agreement, and
- 7) post-agreement activities, including verification of progress towards achievement of the set goals, as well as resolution of disagreements and conflicts.

Negotiation and Culture



TABLE 8.2 Negotiation Factors and Cultural Responses: a Managerial Perspective

NEGOTIATION FACTORS	RANGE OF CULTURAL RESPONSES		
Definition of negotiation	contract	↔	relationship
Negotiation opportunity	distributive	↔	integrative
Selection of negotiators	experts	↔	trusted associates
Protocol	informal	↔	formal
Communication	direct	↔	indirect
Time sensitivity	high	↔	low
Risk propensity	high	↔	low
Groups versus individuals	collectivism	↔	individualism
Nature of agreements	specific	↔	general
Emotionalism	high	↔	low

(Adapted from Lewicki, R. J., Saunders, D. M., and B. Barry. 2006. *Negotiation*, 5th ed. New York: McGraw-Hill/Irwin: 420.)

KEY POTENTIAL IMPACTS ON NEGOTIATING WITH REPRESENTATIVES OF THIS CULTURE

CULTURAL VARIABLES

High Power Distance

Reliance on intermediaries, at least at initial stages. Negotiating teams are split into participants with high decision-making power and those with no power. Several initial rounds of negotiations with low power negotiators may be required before final decision involving high-ranked negotiators can be reached. Establishing personal rapport is extremely important. Situations causing the other side to “lose face” should be avoided.

High Individualism

Expression of independent judgments, opinions in negotiation, and decision making. An advance study of strong and weak points in negotiators’ background (personal, educational, professional, business), as well as their positions in the decision making process is advised. Business (task-related) aspects vs. relationships are emphasized. Using individual negotiators and small teams as opposed to large teams. Preference for structure and priorities in presenting information according to negotiators’ individual profiles and roles in negotiations. Taking into account individual motivations and responsibilities for the outcome of negotiations in developing your negotiation strategy and conflict resolution can increase leverage in negotiation.

High Masculinity

High priority is placed on effectiveness and efficiency of the business under negotiations, lesser emphasis on issues beyond the bottom line. Explicit presentation of information and high assertiveness on all stages of negotiations. Lesser likelihood for female negotiators to be involved in key decision making roles. Situations causing the other side to “lose face” should be avoided. The opposite party’s “macho” propensity can be exploited.

High Uncertainty Avoidance

Restraint toward entrepreneurial business ideas and bold projects that are not backed up by information and/or resources. Risk avoidance. Abundance of supporting information, feasibility studies, and references required in order to back up the major points under negotiations. Slower pace of negotiations and decision making, possibility of several rounds of negotiations. High reliance on formal rules and procedures in dealing with complex and uncertain matters.

High Long-Term Orientation

Be prepared to deal with adherence to traditional, forward-oriented priorities. Reservations toward product, technological, and business innovations. Certain role played by nonbusiness considerations (e.g., community, nation-wide issues) beyond the bottom line.

Universalism vs. Particularism

Universalism presumes the reliance on formal rules and procedures universally applied toward various situations. Merit-based promotion and remuneration. Egalitarianism. Particularistic types entail reliance on personal relationships, taking into account specific cases and individual circumstances rather than general categories. Inclination toward revising conditions that have been already agreed upon.

Neutral vs. Emotional

Neutral types tend to operate with and appeal to the logic, methods, facts, statistics, structures, and priorities in negotiations. They lean toward putting business aspects first. On the contrary, emotional types emphasize personalities and interpersonal relationships on various stages of the negotiation process.

Successful Negotiation Techniques

- Good negotiators develop twice as many alternatives as less effective negotiators.
- While the main objective of negotiations is to reduce and reconcile different interests, experienced negotiators spend much more time on areas where there is common ground and agreements are possible, rather than devoting excessive time to topics where obvious differences exist.
- Skilled negotiators spend more time exploring long-term issues and their effects than do average negotiators.
- Good negotiators are flexible in setting goals.
- Unskilled negotiators have definite sequences of points to cover, ranked usually by their order of importance.
- Skilled negotiators go into meetings with a series of issues to tackle but do not have a predetermined sequence.

Successful Negotiation Techniques

Successful negotiators generally go through four phases:

- 1) building up rapport,
- 2) learning about the proposed agreement, including its technical, legal, and business aspects,
- 3) bridging differences through reason, persuasion and, occasionally, argument, and
- 4) making concessions and drawing up agreements.

Mike Herman Anecdote

- Former President of Kansas City Royals and Executive V.P. at Marion Merrell Dow pharmaceuticals.
- Hot MBA out of U Chicago hired by Ewing Marion Kauffman CEO
- Sent to Europe to negotiate a deal for company.
- Came back with what he considered the best deal he ever negotiated.
- Briefed Ewing Marion Kauffman on the deal: “I can see that we can make a lot of money, but how do they make a profit?”
- Sent Mike back to re-negotiate a win-win deal.
- Mike told my class that it was the best lesson he ever got –better than anything at the University of Chicago.

Cross-Cultural Aspects of International Marketing

International marketing involves a number of cultural considerations.

- *Product* decisions, including brand name, quality, scope of product line, warranties, and packaging.
- Ex. A beautiful gift packaging in Japan sometimes means more than the gift itself.
- *Pricing*, varies depending on culture in such aspects as list price, discounts, bundling, payment terms and financing alternatives.
- *Place* (distribution) -through such components as distribution channels (fragmented or concentrated), motivating the channel (long-term vs. short-term, monetary vs. intangible), criteria for evaluating distributors, locations, logistics (transportation, warehousing, and order fulfillment).
- *Promotion*/ advertising includes such culturally anchored items as choosing the right media, public relations, promotional programs, budget, projected results of promotional programs.

Sometimes mistakes are made.

- Chevrolet sold a car called the Nova in the US.
- The name sounded a bit like não vá or “no go” in Portuguese (Brazil is a large market!) or even the Spanish “no vayas” or “no go.”

Cross-Cultural Aspects of International Management

- As an entrepreneurial venture grows, expands globally, and matures, sound management as opposed to purely entrepreneurial drive becomes increasingly important.
- Along with many advantages of operating internationally comes cross-cultural organizational complexity.
- U.S.-based international entrepreneurs face cross-cultural managerial challenges in two typical settings:
 - when international business venture is being initiated/managed on the U.S. soil by a foreign company in partnership with a U.S. firm;
 - when a U.S. firm initiates/manages its fully owned subsidiary or a joint venture overseas.