



Intercultural management (CULT)

Part 2

INCONEXT

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3. Formal and informal business cultures: status, hierarchy, power, respect.

Under the observance of established traditions, customs the business culture of various countries may be attributed to one of two groups: formal culture or informal culture.

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| <p>HIGHLY INFORMAL CULTURES: Australia USA</p> |
| <p>MODERATELY INFORMAL CULTURES: Canada New Zealand Scandinavian countries</p> |
| <p>MODERATELY FORMAL CULTURES: Western and Central Europe Mediterranean Area Arabian Peninsula Latin America Central Asia</p> |
| <p>HIGHLY FORMAL CULTURES: East Asia India Caucasus</p> |

Table 2. Distribution of countries and regions under the degree of formalism of a business culture

In the countries of a formal culture, or otherwise called Hierarchical cultures, a social status, personal status, rank are emphasised. Much attention is paid to the observance of hierarchy, demonstration of respect. Education, achievements, and privileges possessed are valued.

In the countries of a hierarchical culture the familiarity, breach of established rules, inobservance of customs (even due to simple nescience) are not tolerated. In formal cultures usually individuals are grouped and evaluated under their age (elder are more respected), gender (traditionally men are more valued than women), position, role in a business deal (purchaser is valued higher than the seller).

The main groups of the business people, for which it is the most unfavourable to work in the countries observing the values of a hierarchical culture, are the following:

- ⤴ individuals having lower than middle position in the organisation;
- ⤴ young persons of both genders;
- ⤴ women;
- ⤴ individuals of any age or gender working in the sphere of marketing and/or sales;

In the countries of a hierarchical culture in order to attain a successful business deal it is recommended to invoke „The strategy of three steps“:

1. To try to be introduced by as old as possible male during the first introduction to potential partners;
2. To show deep and versatile knowledge of the sphere of a deal, i.e., professionalism and sophistication form the status of an authoritative person;
3. To take cognizance of and to use the local protocol;

In the countries of informal culture, otherwise called Egalitarian (*eligitare* is a French word for equality), a typical behaviour of Hierarchical culture is treated as arrogance, vanity. The societies of Egalitarian culture little regard a formal distribution of society, accentuate the achievements, merits, and the role of an individual in a particular situation (e.g. negotiation, presentation, project, etc.), irrespective of his dependence to one or another social class, formal privileges possessed.

The communication and cooperation based on the principle of equality, tolerance, acknowledgment of general values are characteristic to Egalitarian cultures. Knowledge of own activity, clear action, observance of generally acknowledged values are the essential moments allowing to expect the successful results of a deal in the society of informal culture.

The national culture of inhabitants highly affects the culture of the country and its type. The national culture in principle is very closely related to the level of formality.

Usually the countries of a formal culture are vastly dependent on the dominating national culture and are characterised as „Big Distance Power“ and, on the contrary, the multicultural, multinational countries are identified as „ Small Distance Power “.

Table 1. Features characteristic to Distance Power.

| Small Distance Power | Big Distance Power |
|--|---|
| <ul style="list-style-type: none"> ⤴ Inequality is not a value and it is hardly tolerated ⤴ Inter-dependence is an aspiration, which is procurable ⤴ Children are on an equality with parents ⤴ Teachers are the specialists conveying knowledge ⤴ Students' incentive is motivated ⤴ Higher qualification of an employee increases his influence ⤴ The hierarchy is not propagated in an organization ⤴ Decentralization is popular ⤴ The difference of a salary in organisation is not significant ⤴ A democratic style of management prevails | <ul style="list-style-type: none"> ⤴ Inequality is acceptable and desirable pageidaujama; ⤴ One-sided unavoidable dependence prevails ⤴ Children are subordinate to parents ⤴ Teachers are conveyors of personal experience and authorities. ⤴ Incentive is a privilege of teachers; ⤴ Qualification of an employee has no influence on his authority. ⤴ The authority of all of them is nearly the same; ⤴ Hierarchy in the organisation is a natural thing; ⤴ Centralization is popular; ⤴ A significant difference of salaries is tolerated in organisation; |

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| <ul style="list-style-type: none"> ⤴ Accentuation of the status and privileges are not motivated ⤴ Intervention of government is regulated by laws ⤴ The combination of talent, health and power in the same person is not of critical meaning ⤴ Equality of rights is accentuated ⤴ Power is based on official status, professionalism, adequacy ⤴ Evolutionary principle in a political regime prevails ⤴ Usage of force and violence for solution of a problem is intolerable ⤴ The ruling over a country is based on pluralism (election results) | <ul style="list-style-type: none"> ⤴ Autocratic style of management prevails; ⤴ Accentuation of status as well as privileges is widely prevailing; ⤴ Power is a privilege and authority itself; ⤴ The combination of talent, health and power is necessary for acknowledgement; ⤴ Privileges are pursued; ⤴ Available governmental instruments are widely applied; ⤴ Power refers to personal relations, attraction, possibilities to use violence, force; ⤴ Revolutionary principle in a political regime prevails; ⤴ Force is widely used and tolerated; ⤴ Autocracy and oligarchy dominate in the country. |
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The classification of Distance Power helps to evaluate objectively the culture of a business partner, to evaluate respectively business environment and to prepare duly for the negotiation, deal.

4. International business protocol, etiquette and nonverbal behaviour.

The most common source of the conflicts during the implementation of the international relations, business deals is a different treatment of time and schedule.

The punctuality may serve as a measure unit, valuable on the basis of which different business cultures are compared. The cardinaly opposite culture groups in respect of time treatment exist: a Monochronic culture valuing the punctuality, observance of intended schedule, emphasising the importance of a business meeting, and a Polychronic culture not providing any importance to the punctuality, time and to the sense of time.

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| <p>HIGHLY MONOCHRONIC BUSINESS CULTURES: Western and Northern Europe Great Britain North America Japan</p> |
| <p>MODERATELY MONOCHRONIC BUSINESS CULTURES: Oceania Southern and Eastern Europe Mediterranean Area China South Korea</p> |
| <p>POLYCHRONIC BUSINESS CULTURES Arabian Peninsula countries</p> |

The major part of African continent
Latin America
South and Southeast Asia

Table 3. Distribution of business cultures in respect of time treatment (R. Gesteland 1997)

There a direct dependence between time treatment and climate exists, i.e., in the countries of the colder climate zones a Monochronic business culture prevails, and people residing in a warmer climate are more tended to Polychronic one.

The basic rule to avoid the conflict due to a different treatment of time, punctuality is not to be late (in particular to an active party of the business relations, i.e., to a seller). The punctuality is the thing valued by the representatives of Monochronic cultures and what the representatives of polichronic cultures, who have business relations to Monochronic cultures, expect.

The direct conveyance of information, called a communication, may be classified into three basic types:

- ⤴ Verbal communication, encompassing the meanings of words and their combinations;
- ⤴ Paraverbal communication encompassing the secondary conveyance techniques of words and their combinations (loudness, silence, pauses, interruptions);
- ⤴ Nonverbal communication, otherwise called „body language“;

Under the intensity of use of paraverbal and nonverbal communications, the business cultures are expressive (actively applying paraverbal and nonverbal language) and restrained (applying paraverbal and nonverbal languages in moderation).

Table 4. Expressive and restrained cultures (R. Gesteland 1997)

HIGHLY EXPRESSIVE BUSINESS CULTURES:

Mediterranean Area;
Latin America
Southern Europe
Western and Northern Europe
Great Britain
Japan

MODERATELY EXPRESSIVE BUSINESS CULTURES:

Oceania
North America
Eastern Europe
South Asia

RESTRAINED BUSINESS CULTURES

Western Europe
Scandinavia
South and Southeast Asia

In the expressive business cultures ones speak loudly, the words are accompanied by gestures, the interruption of talker's speech is a norm. Such manner of a speech in the countries of restrained culture is treated as disrespect, rudeness.

In the opinion of the international business experts the four basic aspects of nonverbal language affect the success of communication:

The Proxemics is a personal space and distance between the talkers. In some cultures small personal space is tolerable (20-30cm.), in others it has to be larger (40-60cm.)

Table 5g. Personal space and observance of distance

| <i>Small personal space (20-30cm.)</i> | <i>Large personal space (40-60cm.)</i> |
|--|---|
| The Arab countries Mediterranean Area Southern Europe Latin America | Most Asian countries Northern, Central, Eastern Europe North America Oceania |

The Haptics is a physical contact, touch. In different cultures the handshakes of a different duration, frequency, intensity are used, a physical contact between the persons of the same or different gender is practiced in different ways.

The Okuletika is an eye contact.

In some cultures looking straight into companion's eyes means a respect (Africa), in others (the East), on the contrary, - insolence.

Table 6. Variety of an eye contact (R. Gesteland 1997)

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| <p>INTENSIVE EYE CONTACT: Mediterranean Area; Latin America Southern Europe</p> <p>STRONG AND MODERATE EYE CONTACT: North America Northern Europe Korean peninsula Thailand</p> <p>INDIRECT EYE CONTACT: The major part of Asia</p> |
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The Kinetics – body motions and gesture. In the international negotiation it is important to take into account two main aspects of the kinetics:

1. Face mime
2. Motions of hands and arms

Not only the intensity of their application, but also the meaning is different (in some cultures the shaking of a head means contradiction, while in others, on the contrary, - approval).

Different interpretation of the gesture of nonverbal language shows one of the basic problems of international communication: a polite and appropriate behaviour in one of the cultures may become offensive and unacceptable in the other. In order to avoid misunderstandings and possible conflicts it is recommendable to take cognizance of a business partner's culture.

5. Intercultural Conflicts: Characterization and Key Causes, Solution Strategies

The main causes of intercultural conflicts include misinterpretations, different interpretations and misunderstandings that result from insufficient preparation for contact. Conflicts can be avoided by simply paying adequate attention to a cultural factor. In order to ensure a successful escape from conflict, it is necessary to begin preparing for this before starting negotiations, which involves the following tasks:

a) doing homework:

- getting to know negotiation parties, collecting information and facts, and identifying expectations and goals;

- carefully and properly preparing a high quality agenda. If it is being prepared by the other party, it is necessary to carefully familiarize yourself with it and to prepare for dealing with its items and taking actions;

- foreseeing possible concessions, establishing conditions and circumstances under which these concessions are going to be made;

b) identifying and assessing aspirations, goals and expectations of all negotiating parties.

- c) creating several or even more proposal versions that would satisfy all interests and would be arranged depending on the significance and relevance of interests;

d) finding external criteria of legitimacy that would be used for agreement evaluation and argumentation;

e) foreseeing alternative ways to reach a negotiated agreement.

The assessment, clear formulation and estimation of goals and tasks to be achieved during the negotiation increase the possibilities of their achievement. The evaluation of one's negotiation interests involves:

- ⤴ setting the minimum acceptable outcome at each stage of the negotiation process;
- ⤴ properly formulating questions to be discussed during the negotiation;
- ⤴ determining the objective significance of each negotiation question;

When achieving one's goals in international negotiations, the assessment of the other party's interests also plays an important role. An experienced negotiator always strives to determine what value and importance each stage of negotiation has to the opponent and wants to control the

negotiation process on the basis of it. In order to establish the importance of negotiation stages to opponents and to determine their priorities, it is necessary to:

- ⤴ put yourself in the opponent's shoes (role, situation);
- ⤴ analyze the opponent's behaviour, actions and position displayed, taken and held in previous negotiations;
- ⤴ analyze the opponent negotiator's position and opinion held, expressed and defended in his/her organization;
- ⤴ carefully listen, openly ask and clearly communicate during the entire negotiation process.

International negotiations also allow creating additional surplus value, which helps to win the opponent's favour, to receive more concessions and gain additional benefits in exchange for surplus value. Additional surplus value is created by displaying a proper behaviour during the negotiation process:

- ⤴ systematization of previous information and reminder about it (its presentation);
- ⤴ promotion of calmness and common sense when raising questions during the negotiation;
- ⤴ demonstration of clear and transparent communication skills;
- ⤴ demonstration of flexibility, openness and inclination to compromise;
- ⤴ demonstration of inventiveness and creativity;
- ⤴ full involvement in the negotiation process.

During the final stage of international negotiation (face-to-face conversations) situation control, emotional restraint and avoidance of provocation help to achieve goals. This requires individual will, self-control and the use of special techniques:

- ⤴ language control: selection of proper expressions and clear terms, and accurate conveyance of desirable information at the maximum;
- ⤴ emotion control:
 - disguising anxiety and concern by selecting an appropriate language tone, observing and controlling breathing, and concealing perspiration;
 - avoidance of aggressiveness by controlling gesticulation, refraining from sarcasm, avoiding prejudgement and excessive references to reports;
 - avoidance of being hot-tempered without using interruptions, accelerating negotiations and changing the rhythm;
- ⤴ self-confidence and ability to convince one's opponent: self-confidence can be achieved through a strong belief in what one thinks and represents, and an understanding of the essence of questions discussed during the negotiation. When one believes in his/her ideas and thinks that they are right, this prevents one from wasting time for finding special techniques that would help to gain an advantage over one's opponent and allows one to

devote all the negotiation time and resources to achieving the maximum benefit from the negotiation process.

Conclusions

Cultural differences have a direct impact on economic performance: it is essential to understand and adapt to the potential cultural peculiarities of users of the proposed product.

Incorrectly interpreted behavior of the representative of different culture may lead to a conflict, block potentially mutually beneficial transaction without any objective or subjective essential interferences.

The correct behavior towards representatives of other cultures can significantly improve negotiating capacity and ensure results that will exceed expectations.

This may be achieved with a help of „Decalogue of a good international negotiator“:

1. Gather and store information related to a potential partner;
2. Adapt your proposals to your interlocutors;
3. Build-up a winning team;
4. Prepare the start and the environment;
5. Control the information flow and the timing;
6. Pay attention to the language, both verbal and body language;
7. Pay attention to detail and to non-formal discussion (high-context communication);
8. Be flexible and ready to make concessions;
9. Know when to quit a negotiation;
10. Write down a summary of the agreements reached at every meeting;
11. Try to keep a „win/win“ approach at all times;
12. Remember that similarities are more important than differences;
13. Keep the communication channels open, even if no agreement is reached.