Two Iron Rules of International Business

Why is a thorough knowledge of international business customs and practices especially important for export marketers? Because of Iron Rule # 1:

- In International Business, the Seller Is Expected to Adapt to the Buyer.

If you are the buyer in an international transaction, cultural differences are less important - unless of course you want to negotiate the best deal!

What if you are not involved in a buy-sell transaction. Suppose you are travelling abroad to negotiate a joint-venture agreement, an acquisition or a strategic alliance? Now who is expected to do the adapting? That is where Iron Rule # 2 comes into play:

- In International Business, the Visitor Is Expected to Observe Local Customs.

Is this just another way of saying, "When in Rome, do as the Romans do?" No. Actually the advice is not to mimic or copy local behavior. Instead, just be yourself.

But of course "being yourself" should include being aware of local sensitivities and generally honoring local customs, habits and traditions.

THE PATTERNS OF CROSS - CULTURAL BUSINESS BEHAVIOR.

1. Deal-Focus vs. Relationship-Focus

This is the "Great Divide" between business cultures. Deal-focused (DF) people are fundamentally task-oriented while relationship-focused folks are more people-oriented.

Conflicts arise when deal-focused export marketers try to do business with prospects from relationship-focused markets. Many RF people find DF types pushy, aggressive and offensively blunt. In return DF types often consider their RF counterparts dilatory, vague and inscrutable.

2. Informal vs. Formal Cultures

Problems occur when informal business travelers from relatively egalitarian cultures cross paths with more formal counterparts from hierarchical societies. Breezy informality offends high-status people from hierarchical cultures just as the status-consciousness of formal people may offend the egalitarian sensibilities of informal folks.

3. Rigid-Time vs. Fluid-Time Cultures

One group of the world's societies worships the clock and venerates their Filofaxes. The other group is more relaxed about time and scheduling, focusing instead on the people around them.

Conflict arises because some rigid-time visitors regard their fluid-time brothers and sisters as lazy, undisciplined and rude while the latter often regard the former as arrogant martinets enslaved by arbitrary deadlines.

4. Expressive vs. Reserved Cultures

Expressive people communicate in radically different ways from their more reserved counterparts. This is true whether they are communicating verbally, paraverbally or nonverbally. The confusion that results from these differences can spoil our best efforts to market, sell, source, negotiate or manage people across cultures. The expressive/reserved divide creates a major communication gap.
## CHARACTERISTICS OF BUSINESS CULTURES

<table>
<thead>
<tr>
<th>Relationship-focused business cultures</th>
<th>Deal-focused business cultures</th>
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<tbody>
<tr>
<td>1 People are usually reluctant to do business with strangers.</td>
<td>An openness to talking business with strangers.</td>
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<tr>
<td>2 Make initial contact indirectly: at trade shows, on official trade missions or via intermediaries, introductions and referrals.</td>
<td>Though introductions and referrals are always helpful, it is generally possible to contact potential customers or business partners directly.</td>
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<td>3 At meetings, take plenty of time to build trust and rapport before getting down to business.</td>
<td>At meetings, people get down to business after just a few minutes of general conversation.</td>
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<td>4 It is important to maintain harmony, avoid conflict and confrontation during discussions.</td>
<td>When communicating, the priority is clarity of understanding. Little thought is given to maintaining harmony with counterparts during negotiations.</td>
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<td>5 Negotiators tend to be sensitive to issues of &quot;face&quot;, dignity, self-respect.</td>
<td>Little attention paid to issues of face.</td>
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<tr>
<td>6 A preference for indirect, high-context communication to avoid offending others.</td>
<td>Expect direct, frank, low-context communication most of the time.</td>
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<td>7 Effective communication and problem-solving require frequent face-to-face contacts.</td>
<td>Much communication and problem-solving handled via telephone, fax and e-mail rather than in face-to-face meetings.</td>
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<tr>
<td>8 Lawyers are usually kept in the background during negotiations.</td>
<td>Lawyers are often seated at the negotiating table.</td>
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<td>9 A reliance on close relationships rather than contracts to resolve disagreements.</td>
<td>A reliance on written agreements rather than personal relationships to resolve disagreements.</td>
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<tr>
<th>Formal, hierarchical business cultures</th>
<th>Informal, egalitarian business cultures</th>
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<tbody>
<tr>
<td>1 Formality in interpersonal communication is an important way of showing respect.</td>
<td>Informal behavior is not regarded as disrespectful.</td>
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<td>2 Status differences are valued and tend to be larger than in egalitarian societies.</td>
<td>People are uncomfortable with obvious status differences, which are smaller than in hierarchical societies.</td>
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<tr>
<td>3 Expect to address counterparts by family name and title rather than by given name.</td>
<td>Expect to address most counterparts by given name rather than surname and title shortly after meeting them.</td>
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<td>4 Protocol rituals are often numerous and elaborate.</td>
<td>Protocol rituals are relatively few and simple.</td>
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<th>Polychronic business cultures</th>
<th>Monochronic business cultures</th>
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<tbody>
<tr>
<td>1 People and relationships are more important than punctuality and precise scheduling.</td>
<td>Punctuality and schedules are very important to business people.</td>
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<tr>
<td>2 Schedules and deadlines tend to be quite flexible.</td>
<td>Schedules and deadlines tend to be rigid.</td>
</tr>
<tr>
<td>3 Meetings are frequently interrupted.</td>
<td>Meetings are seldom interrupted</td>
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### Reserved business cultures

1. People speak more softly, interrupt each less other and are more comfortable with silence than is the case in expressive cultures.

2. Expect interpersonal distance of about an arm's length and little physical contact aside from the handshake.

3. Avoid intense, continuous eye contact across the negotiating table.

4. Expect very few hand and arm gestures and restrained facial expression.

### Expressive business cultures

1. People often speak quite loudly, engage in conversational overlap and are uncomfortable with silence.

2. Expect interpersonal distance of half an arm's length or less and considerable physical touching.

3. Direct, even intense eye contact across the negotiating table signals interest and sincerity.

4. Expect lively facial expressions along with vigorous hand and arm gesturing.

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**DEAL-FOCUSED CULTURES:**
- Nordic and Germanic Europe
- North America
- Australia and New Zealand

**MODERATELY DEAL-FOCUSED:**
- Great Britain, South Africa
- Latin Europe
- Central and Eastern Europe
- Chile, southern Brazil, northern Mexico
- Hong Kong, Singapore

**RELATIONSHIP-FOCUSED:**
- The Arab World
- Most of Africa, Latin America and Asia

**INFORMAL CULTURES**
- Australia
- USA
- Canada
- New Zealand
- Denmark, Norway, Iceland

**FORMAL CULTURES**
- Most of Europe and Asia
- The Mediterranean Region and the Arab World
- Latin America

**MONOCHRONIC BUSINESS CULTURES**
- Nordic and Germanic Europe
- North America
- Japan

**MODERATELY MONOCHRONIC**
- Australia/New Zealand
- Russia and most of East-Central Europe
- Southern Europe
- Singapore, Hong Kong, Taiwan, China
- South Korea, South Africa

**POLYCHRONIC BUSINESS CULTURES**
- The Arab World
- Most of Africa, Latin America
- South and Southeast Asia

**VERY EXPRESSIVE CULTURES**
- The Mediterranean Region
- Latin Europe
- Latin America

**VARIABLY EXPRESSIVE**
- USA and Canada
- Australia and New Zealand
- Eastern Europe
- South Asia, Africa

**RESERVED CULTURES**
- East and Southeast Asia
- Nordic and Germanic Europe
International Negotiator Profiles

**Group 1** Relationship-Focused, Formal, Polychronic and Reserved
India 125  Bangladesh 128  Indonesia 131  Malaysia 135  Vietnam 139  Thailand 142  Philippines 145

**Group 2** Relationship-Focused, Formal, Monochronic and Reserved
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**Group 4** Relationship-Focused, Formal, Polychronic and Variably Expressive
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**Group 8** Deal-Focused, Informal, Monochronic and Variably Expressive
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