

ERWAN HENRY

# BUSINESS CULTURES ACROSS THE WORLD

A PRACTICAL GUIDE



**PUG**

Erwan Henry

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A Practical Guide

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- Time is fundamental in all aspects of business: plans, budgets, deadlines, objectives, meetings, etc. “*Manhana*”<sup>11</sup> and “in 24 hours” does not have the same meaning. Are people quick or slow at taking decisions and acting? Is time a precious commodity finely measured and managed, or is it simply a fact of nature, part of an eternal cycle, without any value or consequence in itself?
- Trust is a relationship of reliance and a prediction of reliance. The accent with which *trust* is uttered, can change the very meaning of the word. Far more business takes place with a simple verbal or digital short agreement than a formal contract. So what does trust mean for your suppliers, customers, partners or employees, colleagues or boss?
- Money is supposedly the ultimate objective in business. Is it really? Does it rank first or second? Is maximizing profit the top driving force in business? Can other factors than the bottom line impact business decisions?
- Business is carried out by people. Is building a relationship a waste of time or a real investment? How much does the bond between individuals influence or steer business? Are they loyal to their company, their boss or their immediate superior? In what circumstances is a bond useless or mandatory?
- Are business and emotion compatible? Is it acceptable to display emotion? To what extent do emotions influence business decisions, perhaps driving and affecting an organization?
- What does leadership mean for your customers, suppliers and partners? What are your foreign employees expecting from you as a boss? What kind of boss do you rely on?
- How are decisions taken? By whom? Is this short and simple or a long, complex process? What are the implications of the particular decision-making processes for business?
- How does action occur in the business chain? What triggers it? How does it unfold?
- Are policies and rules set in stone or hidden in a drawer? What degree of flexibility, if any, may exist? With what consequences in management?

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<sup>11</sup> *Manhana* or *mañana* translates into tomorrow in Spanish. The real meaning is “not today”, and often implies some procrastination.

- When individuals work together, what matters more in their relationship, the personal bond or the task to be performed? How does that affect operations and management?
  - Mistakes and failures happen all the time; but are trials welcome and errors accepted? And what are the implications?
  - Conflict is an inevitable part of business life. What triggers it most? What are the typical consequences? How can we anticipate and defuse conflict?
- I did not include food on the list, as attitudes towards food and meal customs are general cultural patterns rather than directly related to business. But I must emphasize the real influence of food and meals in management and business life and I will elaborate on the subject in the profiles of several national business cultures.

### **Step two**

Instead of reviewing scores of countries and/or cultures, I focus on kindred cultures. Here are the six cultural groups that I have observed and identified:

- Anglo-Saxon covers the United States, Canada, north-western Europe, including Scandinavia, Switzerland and Austria, Australia and New Zealand, the Republic of South Africa;
- Latin covers south-western Europe, including Greece, and all of Latin America;
- Slav covers central and eastern Europe from the Baltic states to Bulgaria and former Yugoslavia, including Hungary and Romania, Ukraine, Russia and the republics of South Caucasus;
- Arab covers mainly the Arabian peninsula and North Africa;
- Asian reaches from South Asia to Korea and Indonesia;
- sub-Saharan Africa covers Africa, south of the Sahara desert. Note that business in the Republic of South Africa mainly follows Anglo-Saxon patterns. Turkey is a unique case, a kind of hybrid made up of Latin, Arab and Slav influences. Central Asian countries are a mix of Slav and Arab or Asian. Asian and Arab patterns are dominant in Iran and Pakistan.

This classification somehow follows linguistic and religious borders but not entirely. Quebec in Canada and French-speaking Switzerland, have a thoroughly Anglo-Saxon business culture. Belgium is however split between Latin Wallonia and Anglo-Saxon Flanders. Greek is not a Latin language

absorbed, with business-people and managers increasingly able to think and work according to Western patterns in an international context and switch back to their traditional cultures, in domestic affairs or in private life. It is interesting to acknowledge that a genuine form of social harmony prevails in these societies, which have successfully blended the old values with these novel concepts.

The Confucian and Buddhist legacy still shapes attitudes in Asia. We should stress the eminent role of seniority and the utmost respect it deserves. This plays a fundamental role in Asian companies and makes managing human resources very tricky. Confucianism is also largely expressed through analogy and aphorism; so roundabout forms of expression, use of analogy and oblique statements, always with some uncertainty as a sort of emergency exit, are standard practice in Asia, not a deceptive trick to confuse foreigners. We shall now explore the 12 facets of the Asian business culture.

### **Bond, trust, task versus relationship**

The main bond is the group! This can be family, kinship, tribe, ethnicity, province, religious belief, caste, party, company, department, professional field, and so on. Individuals dissolve into group-members. In business one does not meet, talk and interact with an individual with autonomy of responsibilities, but with a group-member, delegated by the group, acting on its behalf and ultimately reporting back to it.

Trust directly derives from this cardinal dimension. Trust originates and stays mostly in the group, as does loyalty, commitment or obedience. The goals and interests of the group are overwhelming in comparison to individual interests. Divergence beyond a threshold means betrayal, triggering ghastly consequences.

The task as a binding factor comes far below the relationship between group-members. The emotional links inside the group take precedence over the rationale of management by the book, organizational effectiveness, strict control and assessment of operations.

Creating and developing a relationship with business counterparts is mandatory, which means not putting immediate business matters first. Asian managers prefer to deal with people they know and trust; deep and lasting ties form a solid and effective basis on which business may proceed. Taking the time to get to know people and their background and participating in social

gatherings is paramount. This is not just politeness; it is a real investment, of great value, and the first step in any business project.

## **Emotions**

Genuine emotions are generally deeply veiled, with some exceptions in Korea and India.

Asians are very good at showing a stone face, only revealing a wry smile, never a long face. Emotions obviously exist but the chances of them getting in the way of a business deal are very slim.

On the other hand, Western managers do not know how to hide their emotions; they may try hard but their Asian partners will nevertheless read them well. This must be taken into consideration and somehow acknowledged and dealt with in negotiations.

## **Leadership, decision, action**

Organization charts do not necessarily express where the leadership resides. Seniority tends to be a key factor along with corporate or even social rank, but this also dissolves into the group's dynamic.

Decisions do not follow a formal decision-making process. They require some consensus that can be genuine or strongly suggested. Showing consensus may be as important as the decision itself, sometimes blurring business aims.

Action comes naturally once consensus is reached.

## **Time, policies and rules**

Business is conducted in such a way as to keep all options open as long as possible for the group. This entails shying away from all constraints as much as possible, particularly time which remains flexible. Things may happen very fast or terribly slowly.

This also holds true for rules and policies with the deliberate goal of matching efficiency and reality. Not all circumstances can be forecast and planned; policies and rules restrict possible reactions. Furthermore seeking a consensus makes procedures less relevant: handbooks are not really necessary when most decisions are lengthy and patterns of action are often the fruit of tradition.

While policies and rules are acknowledged, there is a passive resistance to being cornered by them; so they are kept discreet, maybe optional, and only used when they can trigger an advantage.



## **Mistakes, conflict, money**

Mistakes are not made by individuals but by the group. This does not mean they are easily accepted, quite the contrary. Face-saving is mandatory and requires a subtle ability to communicate smoothly and effectively.

Creating a situation that may lead to loss of face, not showing due respect, dissenting too openly with the rest of the group are the main sources of conflict. Politeness, soft speaking and a cosy atmosphere can very quickly turn into brutal clashes. There is no clear with-you-or-against-you boundary; no border between friend and foe. Ever-changing reality presents a range of potential situations, which can be very volatile, and switch fairly suddenly from good to bad and back again.

Profit is definitely a business goal, often the top one, but not always. The interest of the community, a power struggle inside the group, a social or political agenda, may often blur strictly economic goals.

Compensation makes full allowance for rank and seniority; performance is acknowledged but comes second.

## **Food**

Food matters in Asia. Having a meal often means sharing the same food, sometimes on the same plate. This is rich in symbolism and a good time to build a relationship, appreciating the local culture of which delicacies are a significant part.



The 21<sup>st</sup> century belongs to Asia, which represents about 30% of global GDP and 55% of the population. This clearly means Asian business culture will gradually become pre-dominant in the 21<sup>st</sup> century. In particular the way the Chinese do business is already setting a challenging, new global standard.

| <b>ASIAN BUSINESS-CULTURE PATTERNS</b> |   |
|--|---|
| <b>Time</b>                            | Relative, flexible, uncertain, intuitive rather than measurable |
| <b>Trust</b>                           | Belonging to a group  |
| <b>Money</b>                           | One of the goals, achieved through hard work                    |
| <b>Bond</b>                            | The group   |
| <b>Emotions</b>                        | Low, veiled, striving for harmony                               |
| <b>Leadership</b>                      | Seniority or social rank  |
| <b>Decision</b>                        | Group consensus   |
| <b>Action</b>                          | After consensus   |
| <b>Policies and rules</b>              | Minimum, unclear, flexible                                      |
| <b>Task versus relationship</b>        | Relationship ranks first  |
| <b>Trial and error</b>                 | Reluctance, due to the risk of losing face                      |
| <b>Conflict</b>                        | Loss of face  |
| <b>Food</b>                            | A good opportunity to establish and develop relationships       |

# Indonesian business culture



Indonesia represents half of the population and GDP of the Association of Southeast Asian Nations<sup>55</sup>. It should therefore be a glowing dot on the radar screen of business developers.

## Fourth largest population

Over a certain threshold population is definitely a key factor in development: it stimulates growth, creates a critical mass for infrastructure, enables assertive diplomacy, and generates more resources from education to defence. Witness China, India and Brazil, whereas a shrinking population handicaps Russia. With the world's fourth largest population (circa 270 million), Indonesia is an emerging giant stretching 5,000 kilometres east to west, with the fourth largest population in the world (circa 270 million). It comes next in line for accelerated growth after India. Indonesian boasts immense natural resources: oil and gas, minerals, forestry, agriculture and marine products including its stunning natural scenery soon attracting 20 million tourists<sup>56</sup>. Indonesia is a global heavyweight and a very attractive market, next in line after India in terms of growth potential.

Growth is high in all economic sectors. Indonesia produces well over 1 million cars and 6 million motorcycles in one of the strongest industrial bases in Asean. The Sea Highway project launched by President Jokowi boasts \$54 billion investments in ports and vessels. Indonesia has a huge domestic market, but it is also a strategic export base. Pertamina is a name to remember: this Indonesian state company is the world's top producer of liquefied natural gas and, more importantly, world leader in geothermal

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<sup>55</sup>. Asean.

<sup>56</sup>. 14 million in 2017, and a forecast of over 20 million in 2019, according to Minister of Tourism, Republic Indonesia.

energy, tapping the infinite resources of the many volcanoes of the archipelago, with immense development prospects.

Exploring the business culture of the second main growth potential in the world is not optional.

## **A complex pattern of ethnic cultures and influences**

Indonesia can be described as an archipelago of diversity with hundreds of cultures and ethnic groups, each with their own language. This cultural, ethnic and religious diversity is framed in the *Pancasila*, the five principles of Republic Indonesia<sup>57</sup>, and in the national emblem with the banyan tree's expansive above-ground roots and branches: one country out of many far-flung cultural roots.

The fact that all these islands form a single country is amazing and a paradoxical legacy of Dutch settlement. The young Indonesian independence movement proclaimed Indonesia, as one motherland, one nation and one language. Javanese are, however, dominant, for Java forms the geographical centre of Indonesia and the most highly populated (about 150 million people) and developed island.

Every island or region – Java, Sumatra, Kalimantan (South Borneo), Sulawesi (Celebes), Bali, Nusa Tenggara (Flores, Timor), Maluku (Moluccas) – has its own particular culture, which significantly influences the way people interact, work and make decisions. Javanese culture puts harmony first, while outbursts of emotion may occasionally be displayed. In Bali and other Hindu areas, the caste system, still in existence, has far-reaching consequences on how companies manage human resources. Real-estate deals in West Sumatra must make allowance for the matrilineal system. No major investment in the Celebes or Sulawesi can be made without a nod of approval from the Royalties, which receive the highest esteem though not constitutionally official. Semi-autonomous tribes in Papua can veto mining and infrastructure projects. Furthermore, in each ethnic group, cultural attitudes vary significantly: sophisticated Javanese with a sharp perceptiveness; flexible and pragmatic Sundanese; blunt and energetic Batak; soft-spoken and cheerful Balinese; go-getting, entrepreneurial ethnic Chinese. Being

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<sup>57</sup>. Belief in the one and only God, just and civilized humanity, unity of Indonesia, democracy and social justice.

born and raised in such a multicultural environment is a major advantage for Indonesians in the global economy.

Bahasa Indonesia is the official language, the *lingua franca* used to communicate throughout the country, but at home, most Indonesians speak their mother tongue, the language of their ethnic community: Javanese, Sundanese, Minang, Batak, Betawi, Banjarese, Balinese or Hokkien.

All the foreign influence the country has experienced has also contributed to its diversity: Hindu-Buddhist ancient kingdoms; Chinese merchants and business people; Arab traders spreading Islam; Portuguese settlers. However Dutch influence is limited, despite 350 years of colonization: Indonesian law has Dutch roots and Bahasa Indonesia uses thousands of Dutch loanwords.

## Chinese and Muslim features

It is well known that Indonesia has the largest Muslim population in the world; Islam in Indonesia is a moderate Sunni religion and is actually influenced by Buddhism. The core beliefs of praying five times a day, strict rules of behaviour and dietary precepts are strong features.

Chinese influence in business is considerable. Traders from China settled in Indonesia several centuries ago and then became middlemen between Dutch rulers and natives, a cause of lingering tension. A large share of medium-sized businesses are run by Chinese owners following their own business patterns: a mixture of patience and speed of execution; a wide margin of uncertainty; real-time adjustment to any change in the environment; family-oriented decisions. On the other hand larger corporations have less Chinese influence and more Anglo-Saxon managerial practices.

There is a general sense of community spirit: the *ramah-tamah*, a code of social behaviour that relies on courtesy and harmonious relationships in the community (family, neighbourhood, village, company). Diligence and hard work are important, but individual greed should not take precedence over group harmony. Islam blends nicely with Confucianism here!

Traditional *musyawarah*, which means addressing issues with respect and genuine understanding to seek a consensus, is the way of resolving disputes between individuals or groups and is still an important institution for conflict resolution in Java, even in business.

## Working with Indonesians

Being Indonesian is akin to being European. The first thing to do is to know who your interlocutors are: Sudanese, Javanese or Batak, for instance. Asking them what language they speak at home and where they come from, is the first step in getting acquainted. Feel free to ask about their religion, which is public information and important to know when it comes to allocating time for prayers and anticipate fasting during Ramadan.

Saving face, maintaining harmony and showing respect are pre-requisites in any task, with job performance coming second only. It is vital to prevent disagreement slipping into conflict; carefully defusing tension, keeping the relationship and operational results separate. This is quite difficult for Westerners who often put tasks and time first. Any Indonesian employee must by law be forgiven and kept in their job, even after a serious mistake, if they honestly ask for forgiveness.

The business culture values diversity of opinion and respectful behaviour: do not expect the pushy or even bullying attitudes sometimes seen in Singapore; clients are respected, of course, but are not seen as superior beings who can demand just anything.

A contract is more than a legal document, it is a relationship, trust and mutual understanding turned into a business venture; thus, formal signing ceremonies have an important symbolic power for its legitimacy.



Modern Indonesia has now embraced many of the global economic tools, attitudes and pace; there is greater transparency and accountability in both government and business. Communication with Indonesian counterparts generally takes place in a congenial atmosphere and seems easy at first, but still requires a thorough understanding of culture and background. This is definitely a critical factor for the success of any business venture in this promising country.



## DOING BUSINESS IN RUSSIA TAKEAWAYS

### WHAT YOU NEED TO KNOW

Take a step back from the Russia-bashing found in many media; doing business in Russia is far more attractive and easy than most think.

Many Russian executives are unfamiliar with, even ignorant of, generally accepted business methods and standards (management, marketing, control).

Lack of confidence in the future, due to the painful past (Soviet era, calamitous Yeltsin years).

Reluctance to engage into local manufacturing ventures, with long-term objectives.

President Putin enjoys broad support throughout the country.

Slav and post-communist patterns of business culture are found in Russia: it is difficult, especially for foreigners, to gain trust; the focus is on the short term; medium-high emotions are veiled; autocratic management; bold action; when solidly established a relationship takes precedence over task and rules; low tolerance for mistakes.

### WHAT DOES THAT MEAN?

"*Niet*" (or no) means a blunt "no".

"*Da*" (or yes) means a definite "yes".

Timed deadlines are reliable in the short term (less than a year), but uncertain beyond as visibility is hazy.

Negotiation simply means discussing business to clarify views, rather than engaging in a strict transaction or seeking a settlement.

### WHICH BUTTON TO PRESS

Be direct, look people straight in the eye, speak concisely and bluntly.

Reach and rub the romantic Slav soul, through literature or music, religion or philosophy. Find out and explore your counterparts' particular interests in the arts; discuss and debate them. To do so you need to know a bit about Tolstoy, Chekhov, Dostoyevsky and such. They will teach you all you need to know about the Russian soul!

The recipe for taking the lead is to combine firmness and intellectual seduction.



### **HANDLING NEGOTIATIONS**

Do not be put off by a rough start: a remote attitude, rigid posture, reserved response, stiff narrative.

Establish your authority assertively (on a technical and personal basis), which in turn will enable you to take the lead in the relationship. Do not hesitate to act self-confidently, even forcefully. But never with disrespect. Russians rather expect negotiations to be distributive and will fear hidden detrimental consequences, if you push for an integrative approach. This requires a lot of explanation, without being patronizing.

Explain at great length, over and over again, the details and technicalities of business processes, even basic ones.

Russians enjoy analysis and getting to the bottom of issues. This is a good way to show your expertise and convince them. An exclusively synthetic approach will fail.

Stress the short-term benefits for all involved.

An intermediate decision often leads to a non-binding contract, or a LOI or MOU, bearing colourful stamps (the more the better).



### **WOMEN IN BUSINESS**

Women's share of managerial positions in Russia is very high: 39.1%<sup>67</sup>.

Many achieved prominent positions in the Soviet Union, but things have deteriorated slightly since the 1990s.

They, too, must be assertive and plainspoken, with a hint of allure and elegance.

Foreign executive women are well accepted in most circumstances.

Women bonding with men, and vice versa, is OK.

<sup>67</sup> International Labor Organization, Women in Business and Management Global Report 2015, (ILO statistical database, 2012).





## **BUSINESS MEETING**

Meetings are formal and can be short when carefully focused, but there is the risk of wasting time on side issues.

The agenda may include pointless items, which must be covered, a throw-back to the bureaucratic Soviet past.



## **THINGS TO AVOID**

Assuming that your counterparts master the nuts and bolts of business processes, even basic ones.

Any lack of respect, dubious humour about this great country will antagonize proud Russians.

Do not question technical expertise or patronise energetic executives.

Do not be shy, modest or hesitant.

Show no weakness; even a gesture of goodwill or concession to win hearts and minds, may be misconstrued as spinelessness.

Clashing, conflicting, picking up a fight with highly resilient and strong-willed Russians.