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The Effect of Cultural Differences on International Marketing

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THE EFFECT OF CULTURAL DIFFERENCES
ON INTERNATIONAL MARKETING

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An Abstract Presented to the Faculty of the Graduate
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ABSTRACT

This thesis will focus on the influence that culture and environmental differences have on international marketing.

The world has gone through some major changes within the past several years, especially in the area of marketing. It has become an open marketplace. Even the very concept behind marketing has a different meaning today. For example, marketing was once viewed as simply selling a product or service. In today's business environment, marketing is more customer oriented. Customer satisfaction is the key element.

Today many companies have ventured into the foreign markets. Some have gone international to introduce new products or simply to acquire cheap labor. Whatever their reasons were, research has shown that the most critical element to understand when doing business abroad is the cultural, social and environmental differences. These differences can have a profound affect on a firm's marketing strategies.

The purpose of this study is to investigate how those companies who are doing business internationally are handling cultural and environmental differences.

It is hypothesized that the most critical element when doing business in a different culture is adapting to that new culture and environment.

An analytical study was conducted through library research. The results of the study produced enough evidence to justify accepting the hypothesis and to conclude that adaptation is the key to doing business successfully in the international market.

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CHAPTER I

INTRODUCTION

Marketing

Marketing had its beginning back in what is referred to as "primitive economics." During that period each family produced everything it consumed in what was known as a "pure subsistence economy." There was no need for marketing. Later, more goods were produced than were consumed by each family unit; consequently, there came about a need to distribute and sell the unused goods. This is how marketing began. In today's economy, "marketing" cannot take place unless two or more parties are willing to exchange their product for something else in an environment called "the market" (McCarthy, Perreault 13).

Every market consists of a group of sellers and buyers who are willing to exchange goods and services for merchandise of equal or greater value. Some negotiations may be needed, of course, but this can be done at some physical location such as a farmers market. It can also be done indirectly through a complex network of middlemen who link buyers and sellers who are far apart.

Marketing should begin with potential customer needs--not with the production process. Marketing should try to anticipate needs. Then marketing, rather than production, should determine what goods and services are to be developed, including decisions about product design and packaging; prices or fees; credit and collection policies; use of middlemen; transportation and storing policies; advertising and sales policies; and after the sale, installation, warranty, and maybe even disposal policies.

The above paragraph does not imply that marketing should take over production, accounting and financial activities; rather, it means that by understanding the customer's needs, marketing should provide direction and coordination for these activities. After all, the purpose of a business is to satisfy customer or client needs, not to produce goods and services merely for convenience, not knowing if they will sell or not.

Kahler states that,

> Marketing is the process by which the aim and structure for products and services is anticipated or enlarged and satisfied. This process involves analyzing whether a marketing opportunity exists for a firm, developing suitable products and services to meet the opportunity, securing distribution of the product, designing promotional strategy to persuade potential consumers of the desirability of the product, and transferring control over the use of the product from vender to user so the user may enjoy the benefits (6).

Marketing: Old and New Concepts

The new concepts of marketing, according to Keegan, appeared about 1960. The focus of marketing shifted from the product to the customer. The objective, of course, is still profit; however, the means of achieving the objective has expanded to include the entire marketing mix. This mix consist of the 4 Ps: Product, Price, Promotion and Place (Keegan 3).

The old concept of marketing was focused only on selling the product or service. There was little or no consideration for the needs of the customers. More time and effort were spent on improving the product. The bottom line has always been profit. With the old concept of marketing; the salesperson would achieve their goal by whatever means necessary, while not putting the customer first. However, in the business world today, the peramid has reversed. The customer is now at the top and management at the bottom. Even in the foreign markets, customer consideration is at the top of the list.

Research shows that Marketing is both a set of activities performed by organizations and a social process. In other words, Marketing includes both Micro and Macro levels. Micro-Marketing looks at the customer and the organization that serves them, while Macro-Marketing takes a broader view of the whole product distribution system (8).

Micro Marketing

Micro Marketing is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing a flow of need satisfying goods and services from producers to customer or client (8).

Micro Marketing applies to both profit and non-profit organizations. Profit is the main objective for most business firms. But other types of organizations may seek membership or acceptance of an idea.

Customers or clients may be individual consumers, business firms, nonprofit organizations, government agencies or even foreign nations. While most customers and clients pay for the goods and services they receive, others may receive them free of charge or at a reduced cost through private or government support. Micro-Marketing isn't just selling and advertising. Unfortunately, research reveals that many businessmen think it is. They believe that the job of marketing is to get rid of whatever the company produces. This could be disasterous for someone just starting out in a business (8).

Macro-Marketing

Macro-Marketing is a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society.

Like Micro-Marketing, Macro-Marketing is concerned with the flow of need satisfying goods and services from producer to consumer. However, the emphasis with

Macro-Marketing is not on the activities of individual organizations. Instead, the emphasis is on how the whole Marketing system works. This includes looking at how marketing affects society and vice versa (10). Research also reveals that,

> every society needs a macro-marketing system to help match supply and demand. Different producers in a society have different objectives, resources, and skills; however, on the other side of the coin, not all consumers share the same needs, preferences, and wealth. In other words, within any society there are both heterogeneous supply capabilities and heterogeneous demands for goods and services. The role of a Macro-Marketing system is to effectively match this heterogeneous supply and demand and at the same time accomplish society's objectives. (9-10)

The effectiveness and fairness of a particular Macro-Marketing system must be evaluated in terms of that society's objectives. Obviously, all nations don't share the same objectives. For example, studies show that Swedish citizens receive many free services, such as health care and retirement benefits. Goods and services are fairly evenly distributed among the Swedish population. Studies also reveal that, by contrast, until recently, Russia placed much less emphasis on producing goods and services for individual consumers.

The Russian government places its emphasis on military spending. However in recent months, the Soviet Union has made major strides towards becoming a market economy. Moreover, In Venezuela, the distribution of goods and services is very uneven. There is a big gap between the "haves and the have-nots," whether each of these systems is judged fair or unfair depends on the objectives of each society (10).

The 4 P's of Marketing

The 4 Ps of Marketing are: Product, Place, Promotion, and Price. If a Marketing Manager understands the needs and attitudes of a target market, then applying the 4 Ps should be fairly simple. However, there are some gaps in this line of reasoning: (1) In most cases the marketing managers don't know all that they should about the needs and attitudes of their target markets. For example, in each culture needs, values and attitudes are different. The global marketer must be able to perceive these differences and try not to impose his values and ideas on people of other cultures. The marketing manager must also learn how these people think and become familiar with their behavior patterns. (2) competitors are also trying to satisfy the same or similar needs. For example, with competition rapidly increasing, the international marketer must learn to operate more economical and be just as effective as the competition. The international marketer should not only study the target market, but it is to their advantage to learn as much about the competition as well. (3) The other uncontrollable variables may be changed, which may require more changes in marketing mixes. Some of those uncontrollable variables include: (a) political/legal forces - laws change constantly in some countries, (b) economic forces, (c) competition, (d) technology and (e) cultural forces. If any of these variables should change, the international manager should adjust the marketing mix accordingly to achieve the best results. According to McCarthy and Perreault:

> Marketing planning involves more than just assembling the four parts of a marketing mix. The four Ps must be blended in such a way that the firm can develop the best mix for its target market. This could mean that ideas from some specialists, such as product managers, advertising managers, sales managers, and physical distribution managers may have to be adjusted to improve the whole mix (516).

McCarthy and Perreault also indicates that "marketing managers must plan strategies, marketing plans, and a whole marketing program." A marketing strategy is a big picture of what a firm will do in a certain target market. A marketing plan includes the time related details for that strategy. A marketing program is a combination of the firms marketing plans (516).

Some time schedule is implicit in any strategy. A marketing plan simply spells out this time period and the time related details. Usually we think in terms of some reasonable length of time, such as six months, a year or a few years. But it could be more or less time, especially when style and fashion are important. A strategy might be implemented over several years, maybe the length of a product life cycle or at least the early stages of the product's life.

One can see that the marketing strategy planning is a creative process. While at the same time, it is also a logical process. The marketing concept emphasizes that all of a firm's activities should focus on its target markets.

Forecasting can help a marketing manager estimate the size of possible market opportunities. But the accuracy of any sales forecast depends on whether the firm selects and implements a marketing mix that turns these opportunities into sales and profit (526).

Listed in table 1 are strategy decision areas organized by the 4 Ps (Product, Place, Promotions and Price) (McCarthy and Perreault 524). While these are concerned with the domestic market, we will also look at how these decision areas are utilized in the international market.

Table 1

Strategy Decision Areas Organized by the Four Ps

Product	Price	Place	Promotions
Physical Goods	Objectives	Objectives	Objectives
Service	Channel type	Promotion blend	Flexibility
Features	Market exposure	Salespeople	level over
Quality level	Middlemen	Kind	Product life cycle
Accessories	Locations/ of stores	Number/ selection	Geographic/ terms
Installation		training motivation	
Instruction	Transportation/ storing	Advertising	Discounts
		Target	Allowances
Warranty	Service levels	Kind of ads	
Product Lines	Recruiting/ Middlemen	Media type	
		Copy thrust	
Packaging	Managing/	Prepared by whom	
Branding	channels	Sales promotion	
		Publicity	

SOURCE: Basic Marketing: "A Managerial Approach" by E. Jerome McCarthy, Ph.D. and William D. Perreault, Jr., Ph.D. (1989).

Product

Product is defined as a collection of physical, service and symbolic attributes that satisfies or benefits the consumer (Keegan 367).

The characteristics of a product are usually given more consideration by the potential buyer. Research has revealed that there are five important characteristics that are relevant to international marketing considerations: primary functional purpose, secondary purpose, durability and quality, method of operation and maintenance" (369).

The international marketer must consider the income levels as well as geographic location when marketing certain items. For example, a refrigerator has a primary function in high income countries where people are able to buy food and store it. In lower income countries, refrigerators are not as much in demand. In some developing countries, a refrigerator has a secondary purpose. It is more of a prestige item. It is usually displayed in the living room instead of in the kitchen (369).

Durability and quality are very important product characteristics. These characteristics must be suited to the availability of service within a market. In lower income markets, appliances are more likely to be repairable. According to Keegan, "Any item that can be repaired is a quality product" (369).

Two other important characteristics of a product are method of operation and maintenance. For example, in the underdeveloped countries, electrical appliances may have to be rewired to accommodate the voltage systems. While in a more developed culture, that same appliance may need no adjustment. Another example is when the technology level of some products may have to be simplified to meet the local level of technology.

If the concept of preventive maintenance is not common in an intended market, simplified products and maintenance free products are necessary for success in that type of economy (377).

Consumers also look at how a product is packaged and the brand name. One is more likely to purchase a product if it is attractive and has a familiar name. This is true domestically; however, research reveals that packaging serves more important purposes than just a physical appearance in most foreign cultures. For example, some countries require that labels be printed in more than one language, while others forbid any foreign language at all (Cateora 383). Symbols are highly symbolic. For instance, a yellow rose is offensive in Mexico because it means death or disrespect. Studies also show that in low-literacy countries such as the third world countries, pictures and symbols are taken literally. For instance, the baby picture on the Gerber baby food jar is taken to mean that there are ground up babies in the jar. Colors are another important element to consider when packaging in the foreign lands. An example is when six pointed stars were used by a soft drink company in the Middle East, some of the Arabs become offended. The Arabs associated the stars with the soft drink company as being pro Israel.

Liability laws vary from country to country and don't follow any particular pattern. Therefore, the international manager must be extremely careful not to offend any culture by the misuse of colors and symbols.

Pricing

Pricing decisions are a critical part of the marketing mix. The rule that applies to pricing is that the price of a product or service must not exceed the cost. Secondly, the price must not exceed that of the competition. If the first is true, there is no profit. If the later is true, a company can price themselves out of business. According to Keegan, there is no absolute maximum price, but for all customers, price must be equal to the customers perceived value of the product (421). The objective is to cover all bases. A company must charge what a product is worth to the customer; cover all cost; and, of course, must make some profit in the process. Research reveals that:

> International pricing is complicated by the fact that international business must conform to different rule-making bodies and different competitive situations in each country. Both the country and the competition are constraints on pricing decisions. Each company must examine the market, competition, its own cost and objectives, local and regional regulations and laws in setting prices that are consistent with the overall marketing strategy (421).

Local income levels are critical when making pricing decisions.

<u>Promotions</u>

Once a product has gone through the various stages of development, pricing and distribution, the consumers need to know that that product is on the market. All the characteristics of that product should be made available to the potential buyers.

Research shows that the most effective marketing mix includes advertising sales promotions, personal selling and public relations. Advertising is most critical. According to Cateora,

> Promotion is the piece of international marketing with the most similarities worldwide, while at the same time it may reveal a great number of culturally related problems. Adapting promotional strategy to the cultural differences in the world's market is the challenge confronting the international managers (Cateora 418).

Research shows that communication with people in different cultures is the greatest challenge in advertising. Language is also a critical barrier in advertising in diverse cultures. In some countries multiple languages are common. Israel is a good example. According to Cateora, there are 50 languages in that country. Simple words that we use everyday have different meanings in other cultures. When this occurs, the whole meaning of the advertisement is changed, because it is perceived differently. For example, in Japan, the words yes and no are used differently than in the United States. In English, yes means affirmative and no means negative. While in Japan, the answer yes or no may refer to whether or not the answer affirms or negatis the question. For example, if a Japanese is asked, "Do you like to shop?" If that person does not like to shop, they would answer yes, I don't like to shop. This could have a catastrophic affect on international negotiations if the other party/parties are not cognizant of how the words yes and no are used in different countries.

International Marketers are to some degree becoming accustomed to the problems of adapting from culture to culture (426). For example, managers are becoming sensitive to the symbolisms of colors in different countries. In Europe and the United States, white symbolizes purity. In Asia, however, white is associated with death. If the marketers understand the symbolisms of colors in each country where they are advertising, the message that they are sending will be more easily understood by the public.

Place/Distribution

In every country the international marketer has to deal with unique middlemen and distribution patterns. Research reveals that:

> the challenge for the international market is to forge channels from available middlemen that will effectively meet the needs of the target market within the legal limits imposed by company policies, government regulations and other resources (Cateora 516).

A distribution channel is simply the means by which a company or an organization gets its product or service to the market. This can be an agency, or dealer, wholesale or retail. Most international managers select distributors from a list provided by local trade associations in each country. Selecting the right distributor can make all the difference in the type of performance that is expected and the type of performance that is received.

Control over the systems and middlemen are necessary in international business, because middlemen are in business for themselves also.

A manager must choose the best middlemen to handle the job. When possible, the parent company should know the activities of middlemen in respect to their volume of sales, market coverage, services offered, prices, advertising, payment of bills, and even profit (563).

According to Cateora, within the past decade, international middlemen have become more numerous, reliable, sophisticated, and even more available to marketers in all countries. Such growth and development offer a wider range of possibilities for entering foreign markets. The international businessman should keep in mind that those same possibilities are also available for the competition (564).

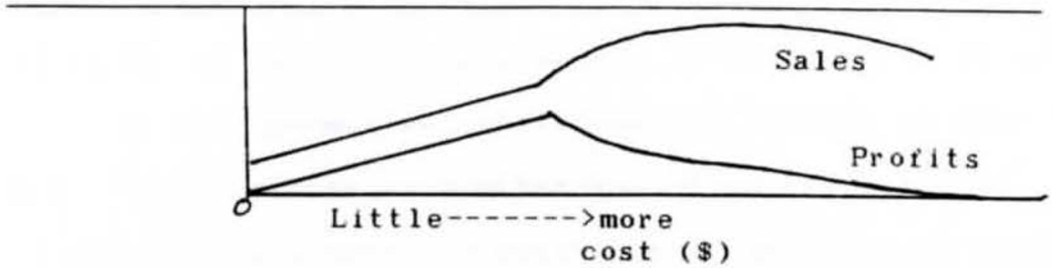
Response Functions

An understanding of the needs and attitudes of the firm's target market can help a manager develop a more effective marketing mix, even in the face of competition. When competitors meet each other in the marketplace, it is even more important to understand the target market and how it is likely to respond to alternative marketing mixes. In this situation, there is more of a need for estimating response functions.

Research reveals that a response function shows how the firms target market is expected to react to changes in marketing variables. Therefore, trying to estimate relevant response functions can be a real help in developing better marketing mixes (McCarthy 526).

To better understand the response function, these illustrations of each of the 4 Ps may be helpful.

Table 2
Product Quality

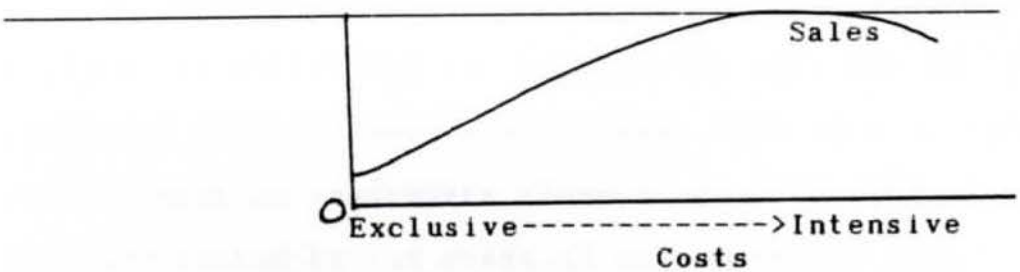


SOURCE: Basic Marketing: "A Managerial Approach" by E. Jerome McCarthy Ph.D. and William D. Perreault, Jr. Ph.D. (1989).

This response function for Product quality shows that adding more quality (and features) will increase sales. But adding more quality may also increase costs and, at some point, customers may not be willing to pay more for quality. This results in a profit response function that reaches a high point and then declines. This maximum point is the best level of product quality, depending on the company's objective (528).

While this response function deals basically with the domestic market, it can have a different affect when dealing with the international market. For instance, the affect is the same in a developed country where people are more educated, have higher income levels, and the level of technology is higher. Whereas, in an underdeveloped country, the people are less educated. in a lower income bracket, and technology barely exists. This response function would show the opposite in this type of economy, because people still live in near primitive conditions and neither product quality nor design is a priority. Even the simplest electrical appliance, telephone, refrigerator, or even a car is considered a luxury item.

Table 3
Place - Distribution Intensity



Source: <u>Basic Marketing</u>: "A Managerial Approach" by E. Jerome McCarthy Ph.D. and William D. Perreault, Jr. Ph.D. (1989).

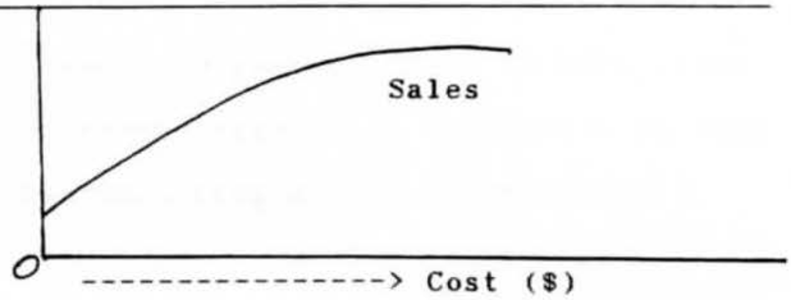
A place related response function focuses on the degree of market exposure desired (ranging from exclusive to intensive). Sales level off near the extreme of intensive distribution because, when most outlets already carry the product, little increase in sales will be expected from the last few marginal outlets (528).

An obvious feature in distribution channels in less developed countries is the high number of people in sales. A study of East Africa revealed that:

> small stores, (generally those that stock under 100 items and occupy a space of 50 to 75 square feet) indicated that those businesses operate under a very narrow gross margin of 12 percent. In the United States these same supermarkets operate on a 22 percent gross margin (Keegan 444).

What this means is that small stores in East Africa are operating under a lower cost form of distribution. Sources reveal that in developed countries, capital is substituted for labor. The less developed countries with an abundance of labor seek to hide their unemployment in inadequate channels of distribution that are suited to the needs of customers--In some cases working longer hours.

Table 4
Promotion - Advertising

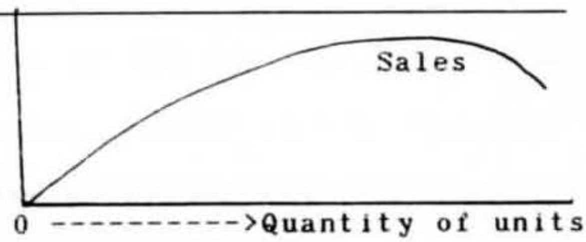


SOURCE: Basic Marketing: "A Managerial Approach" by E. Jerome McCarthy, Ph.D. and William D. Perreault, Jr. Ph.D. (1989).

Table 4 suggests that even with no advertising, personal selling or other promotion efforts, some sales will result. But sales will be higher with some advertising. On the right of the response function, the curve starts to level off - showing declining results from extra advertising. However, it is important to note that the best point may not be at the highest sales level (528).

This table is concerned with domestic advertising. On the international side, the global manager must be careful of the type of products he advertises in certain economies. One source reveals that industrial products are bought and used in the same way and for the same purpose in every country. Therefore, advertising is less difficult than for consumer products. While on the other hand, some marketing experts believe that consumer products in general, food in particular, are so culturally linked that it is impossible to apply any element of the marketing mix to these products.

Table 5
Price/Quantity Relation



SOURCE: <u>Basic Marketing</u>: "A Managerial Approach" by E. Jerome McCarthy, Ph.D. and William D. Perreault, Jr. Ph.D. (1989).

Table 5 shows the impact of price level variations on sales and quantity sold. This is simply another way of showing the down sloping demand curve. As shown in the table,

> the down sloping demand curve means that total sales will start declining at some quantity. Marginal revenue can go negative, which means that total revenue is declining. You can't increase total dollar sales indefinitely with price cuts (528).

This method is commonly referred to as penetration pricing. It is the use of price to obtain market position. In the international market today, Japan, Korea and Taiwan use this method most frequently. These countries have had great success all over the world by using the penetration price method. Even in America, we can witness their success by simply reading lables on certain items. Most often those labels will say made in Japan, Korea, or Taiwan.

An example of penetration pricing is when the Japanese entered into the 4K RAM (random access memory) market in the United States. Prior to the Japanese entering this market, the American distributors were selling this device for between $18.00 to $20.00 each. When the Japanese came into the picture, they sold the identical product for $8.00 to $10.00 cheaper (406). This, of course, gave the Japanese a much bigger share of that market. This method may secure a firm a place in a particular market. It does not guarantee that place indefinitely. Because, at some point, sales will drop even with the lower prices.

Blunders in International Business

According to Root, "blunders in international business are usually traced to ethnocentric assumptions that managers hold unconsciously" (Root 237). These managers actually believe that all foreigners think, and act the same as they do. Although all people have the same basic needs such as food and shelter, they don't all seek to satisfy those needs the same way in each culture.

> Cultural differences can affect any and all entry strategy decisions: the choice of target country markets (or segments within those markets, the choice of a candidate product and its adaptation to foreign markets, the choice of an entry mode, the formulation of a foreign market program, and the control of entry operations. All these decisions depend on cross-cultural communications of one sort or another (Root 237).

The blunders with the most profound affect is when a manager fails to establish a good communication system with the foreigners. It is virtually impossible for a manager to go into a new country, target his market, set up marketing strategy, etc. without some form of communication. Communication to international marketing is like oil to a car. It is the life of internatinal negotiations. Any agreement or disagreement is based on some form of communication. Communication not only involves the different languages, it also entails learning all areas of that culture where he intends to do business, including the political system.

International Marketing

> "International marketing refers to the marketing of products and services in more than one nation. It may consist of exporting goods from one country to another, or it may refer to a firm that both produces and markets in more than one country without the goods crossing national borders" (Kahler 6).

A good example is, when a company in country "A" ships the components for the manufacture of a product to country "B", that company may assemble a product that is not only sold in country "B" but is exported back to country "A" and to numerous other countries around the world. Both cases are good examples of international and multi-national marketing.

International and multi-national marketing deals with situations where companies have a strong domestic base and those companies that have substantial investments in numerous countries. In some situations, so many countries are involved that one can hardly determine where the home country is except by the location of the main office or headquarters. Coca Cola is a good example. It has a strong home base in the United States, but is sold all over the world.

International Trade

International trade is simply the movement or transfer of goods from one country to another (importing and exporting). According to Kahler, "international trade is also concerned with trade flows, commercial policies, resource allocation and adjustments, capital movements, balance of payments analysis, and international monetary arrangements" (6).

Comparative Marketing

The comparative study of international marketing is a comparison between the various marketing systems in different countries. The international manager should begin by searching for differences and similarities in each culture. Once he/she has noted those things that are alike and those things that are unique; the next step is to indentify those things that are common to all cultures (also called universals) where the company intends to do business.

From research and the media, one can easily identify some of those things that various countries have in common, such as: cleanliness, law, cooking, marriage, medicine, kinship, education, inheritance rules, religion etc. just to name a few.

Once the marketing manager has identified those universals, his job of standardizing his marketing program is simplified to a degree.

All the cultural diversity in the world can work in favor of the international manager. It is simply a matter of accomplishing the same thing by a different means. Everything depends on how well the manager does his homework.

One of the main barriers that an international manager has to overcome is governmental and political regulations. Each country certainly has a right to determine who does business within its borders. Each marketing manager should be cognizant of how various laws can affect marketing opportunity and operations within that particular country. According to Kahler, "each nation is sovereign with respect to its own internal laws governing the rights and privileges of its citizens and those who are already doing business within its borders" (7). Therefore, the international manager can't afford to ignore the sovereign rights of foreign nations, nor should he make the mistake of assuming that the same laws, rights and privileges that he enjoyed at home exists in foreign countries.

In all cases where international business occurs, some form of treaties or agreements have been worked out by the home country and the foreign country.

Language and Customs

It is generally agreed that the English language is the most difficult to learn. When a manager decides to sell his products or services internationally, he takes on a great task. Not only is it necessary for him to acquire demographic information, he must also learn how to communicate with the people. He has two choices, he can either learn the language or hire an interpreter. The choice is his. In some cultures, more than one language is common.

Along with language, there are many aspects of culture that have a great influence on the marketing process. Research reveals that taste, for example, is a learned response that is highly variable from culture to culture. Colors and styles are strongly influenced by culture. For example, the color green is a popular color in moslem countries, but it sends a negative message in Southwest Asia, where it is associated with disease. The color red is popular in most countries of the world, but is not highly regarded in some African countries (Keegan 105).

Income is another variable that affects attitude and behavior patterns in different cultures.

Statement of Purpose

The purpose of this paper is to focus on some of the major problems that are affecting the international market, such as: entering the targeted market and deciding which marketing mix is best suited for that market. This paper will also show why some businesses were unsuccessful in the international market because of some critical assumptions made on the part of the manager regarding cultural differences.

Research data supports the hypothesis that adaptation and communication are the keys to successful international marketing.

Chapter II

Literature Review

Understanding and adhering to cultural differences is imperative to doing business successfully in the international market. In 1992, when the European National Markets become standardized, the doors will be opened to other foreigners to do business in Europe. Unlike Japan and the United States who are already visible in Europe, it will be much easier for other foreigners to do business there as well.

The Russian market is a potential avenue to be explored by foreign businesses. According to Mark Maremont in Business Week, "With all the problems in the Baltic States, the international business community is watching the situation. However, none of them is expected to pull out of the Soviet Union unless the situation deteriorates" (43). With the attention of the world focused on the Soviet Union, everyone is waiting to see if Gorbachev's reforms will last. This is the key element that could determine how quickly or even if the Soviet Union will move into a successful market economy. Sources reveal that there are some

3,000 joint ventures in the Soviet Union, some of which are billion dollar businesses (43). So, one can surmise that there is great potential for doing business in the Soviet Union. Germany and Rumania are other countries that are in the process of switching to market economies.

These countries are mentioned to get a feel for how fast the global market is expanding. There are many countries already doing business successfully in foreign countries. Some of these existing businesses will remain where they are, and others will take advantage of opportunities in other countries.

The question now is how does a firm deal with doing business in the new culture? When a manager does his homework well, entering a new culture is less difficult. On the other hand, there are those managers who are presumptuous and attempt to do business without first learning something about their new surroundings. The successful manager is the one who consults with the people who are his/her potential customers. This includes the officials in charge of economic policies and the private sector. In doing so the manager is establishing a communication system through which he/she is able to learn what interest the people have, what their priorities are, what products they would like to see on the market. When a manager fails to familiarize himself with business practices, social habits, and etiquette of a country, he can cause serious problems for his company. Sometimes failure results from this lack of knowledge.

Studies show that:

> Some of the cultural differences faced by American firms include ...in business style, attitudes toward developing business relationships, the significance of punctuality, negotiating style, gift giving customs, greeting gestures, the meaning of colors, numbers, symbols and titles (Business America, Vol: 112, issue 2, 1991. 26).

For example, American businessmen are usually eager to get right down to business, while in some countries more emphasis is placed on developing and nurturing a long term relationship.

International businessmen have realized that there is much more involved with international business than just the business side.

According to Jim de Wilde of Business Quarterly magazine:

> In order for a manager to learn how to think globally, there is an educational process he must go through. The first is conceptual-strategic and requires communicating knowledge. The second is skills-based and allows him to draw on case method management (de Wilde 41-45).

The writer is saying that a new manager going into international business must be careful how he/she plans and implements his/her marketing strategy. Too often managers feel that their own ideas and concepts are the only ones that are appropriate for the needs of their business. Research has proven this to be erroneous. A wise manager should first consider his/her own mistakes and also draw on the mistakes of others. The mark of a good international manager is one who has developed a sensitivity for other cultures and a general global value system.

Today many corporations are searching for new avenues to explore in the world markets. In many cases it will be necessary for companies to pool their efforts together in order to be successful. Research shows that this will be a growing trend well into the 90's.

Dr. Rosalie L. Tung, Professor of International business at Simon Fraser University (Canada), wrote an article that concerns a study which involves 18 economic corporate ventures formed between the United States and Korea. The study examined the practices, procedures, and the outcome of business negotiations between the two countries.

Tung noted that there are three main characteristics associated with Korean negotiating style and decision making process. The first one is "Speed of decision making." Since the Koreans are cognizant of the fact that American businessmen are eager to complete business deals, they use what is called the stalling technique. By stalling, they are able to win greater concessions. The second characteristic is "personal consideration versus western logic." According to some of the American businessmen who compared their experience with China and Japan to their experience with the Koreans, one stated that "their Korean counterparts are illogical. They often become emotional during negotiations, they become abusive with shouting, desk pounding, and chest beating" (Organizational Dynamics 35). This is an indication that the Korean businessmen are highly emotional and somewhat inconsiderate of their counterparts. The third and last characteristic is "the profit motive." Dr. Tung states that "too many Korean companies, profit may not be the main objective for entering into business negotiations. Compared with Japan, Korean companies are more concerned with market share and growth" (35). While the American businessman is also concerned with market share and growth, profit is also high on the priority list.

Other studies concerning business negotiations between the United States and Japan, and the United States and China have found that:

> while the ability to bridge cultural differences was less important in explaining the success of business negotiations, failing to bridge that cultural gap was preceived by all as a major factor in negotiation failure (37).

Even the Korean businessmen who were interviewed during this study acknowledged that knowledge of the Korean culture is a must for a successful business in Korea. Unfortunately, many of the American businessmen were not prepared for a business venture in Korea, according to the study.

Tung's article points out that having the highest technical products on the market does not guarantee success in the international market, Korea, Japan, China, Europe or elsewhere. The key to successful business in Korea is becoming familiar with the Korean culture and how it relates to business negotiations.

Other theorists share the opinion that communication is a key element for a successful international business. Negotiating across cultures can be frustrating for managers because of the cultural differences. Negotiating styles and customs are different in each country. Business America points out that "a host of cultural variables must be dealt with at the same time" (27). For example, how should one conduct themselves for the first meeting? First the manager should understand as much as he can concerning position (rank)--who makes the decisions, what is that country's policy concerning gift giving, and what is the significance of gestures and greeting in some countries? For example, if a manager is not already familiar with the new culture's policies concerning greetings and how they treat position, once he learns how to say hello in that language and establishes a line of communication he/she is well on his way to the next step.

The next step is to learn who makes the decisions. In America, usually the higher ranking managers make the important decisions for their company. Therefore it is important to know how each culture treats rank and position. Cultural policies concerning gift giving should be considered also. In some countries the giving of gifts is valued very highly, while in others it is offensive. Knowing these things can enhance the negotiation process tremendously.

When one crosses cultural lines, something as simple as saying hello can be misunderstood. Greetings in America are a simple handshake, and "how do you do?" or a nod of the head. In some other countries, these simple greetings can be offensive to the people. For example, in Japan, a bow is the most common form of greeting. It symbolizes humility, and it is a very important custom to observe when doing business with the Japanese. In Italy, handshakes are an acceptable form of greeting, while in Taiwan the common greeting is done by placing the hands in a prayer position at the chin and bowing slightly. According to Business America, "the higher the hands, the more respect is symbolized." (26) Research reveals that cultures all over the world use various body languages and gestures to relay messages from one to another. In some countries, the gestures and movements may be the same, however, their meanings are not the same in all cultures.

Gift giving in some countries is highly offensive, while in others, it is a common practice. However, in those countries where gift giving is acceptable, the giver must be careful of the type of gift he/she presents and also when to present it. According to Business Week, "Gift giving is regarded as a part of doing business. To the Japanese, exchanging gifts symbolizes the depth and strength of business relationships" (27). The custom in Japan is to exchange gifts at the first meeting. The Japanese believe that when a gift is presented, the receiver should reciprocate. Although the Japanese will accept a gift from a business partner, they never open the gift in the presence of the giver. If the giver is not cognizant of this, it could cause a serious misunderstanding and possibly a failure in negotiations. Studies show that in Japan even the way a business card is presented must be done gracefully. In other words, that business card must be given the same respect as the person who gave it.

In countries such as Belgium and the United Kingdom, gift giving is not common when doing business. In Germany, exchanging gifts is also seldom practiced.

Dan Remington's research points out that in Islamic countries, gifts of alcohol, or paintings or pictures of women should never be given. Pictures of women are offensive because in this culture, women are kept out of the public as much as possible. They are usually covered from head to toe.

In other nations such as Latin America and certain European nations, colors and certain types of gifts are offensive. For example, managers should never give anything purple or black, knives or handerchiefs. Also the number 13 is not to be used in these countries. Dan Remington goes on to state that "for the Canadians, international business gift giving is carefully researched and thought out so as not to offend the recipient" (Remington 12-15). This shows that the Canadians like the Japanese are aware of what it takes to develop strong international business relations. They know that it takes acquiring knowledge of other cultures and then establishing good communications with them. According to Larry Crump, writer for Management Japan magazine, "When Japanese employees go on assignments outside of their country, they are trained in the new culture's business meeting style, negotiating style and management style, along with language skills" (31-36). This shows a genuine concern for other cultures and their business practices. Japan didn't acquire it's success by doing everything the Japanese way. In many cases, it was necessary for the Japanese to adapt to certain situations as well as incorporate some of their own customs in the new environment.

Unfortunately, the Americans did not realize the importance of learning a foreign language until recently. For a long time, the American managers seemed to ignore the fact that everybody doesn't speak English. It is a second language. This could be the reason that more and more business managers are including a foreign language as part of their study plan. It appears that the American international businessmen are just learning what the Japanese and some other countries have known all along. Because of negligence, the Americans have lost a great deal of money. According to Martha Dupecher, communications consultant, "The Japanese are known all over the world for their multilingual marketing practices" (Dupecher, 25). It has become obvious to the American businessperson that if he/she wants to do business abroad, steps must be taken to bridge the communication gap that separates the countries of the world.

Dupecher, who is also an interpreter/translator, believes that: "One essential link in bridging that communication gap is a translator or an interpreter" (39). Dupecher points out that messages lose their meaning slightly when being translated. There is, of course, the possibility of betrayal on the part of the interpreter/translator. In some cases, the cost to hire a translator is quite expensive. Unless a firm can find someone who has a proven record of being trustworthy, the most feasible method of communicating with foreigners is to learn the language.

As we move into the 1990's there is a trend forming. There are more businessmen who are either already doing business internationally, or who intend to do business internationally going back to school to learn at least one foreign language.

It appears that in the 90's, more international managers are finally awakening to the fact that domestic business practices don't work in the foreign markets. Too many companies have suffered because they failed to realize that business must be adapted to the needs of the culture.

Hallen, Johnson and Seyed-Mohamed believe that "The adaptation Concept has had an influence on thinking in business strategy. Strategic Management has even been used interchangebly with adaptation" (Hallen, et al. 30). In the process of formulating a method of fitting the product and/or service with the needs of the consumer, adaptation is exactly what occurs. Adaptation is not only necessary to the business initially, it is a necessary ingredient for forming lasting business relationships.

Research shows that the most common case of interfirm adaptation is when a supplier tailors a product or service to fit specific needs or wants of the customer. The customer in some situations may adapt to the capabilities of the supplier.

An excellent example of adaptive marketing is a company case study conducted by Kraft General Food Group which appeared in the Journal of Consumer Marketing. In the study Kraft examined three aspects of adaptive marketing: 1. The application of similar marketing across the world marketplace. (2) The revitalization of existing business. (3) The application of new business system capabilities to fulfill customers needs (James M. Kilts 39). Research shows that the food industry is one of the most difficult areas to adapt to foreign countries. Because the diet in all the countries of the world is culturally oriented. Kraft was able to successfully revitalize one of its existing products (cheese slices). Most of us are familiar with the Kraft commercial where the company informed the consumers that each slice of Kraft cheese contains so many ounces of milk, while competitive slices are non-dairy. The company was successful in adapting that same commercial in four different countries: Canada, Britian, Australia, and Spain. The company was also successful in revamping a product that had been on the market for 35 years (Cheese Whiz). This involved a new way for the consumer to use an existing product, by simply melting the cheese and pouring it over chips or soups rather than using it as a spread. The thing that caused sales to increase was simple marketing the product differently, such as new lables and adding new flavors. According to Kilts, "after a year, Cheese Whiz sales increased 35%" (40).

The company has recently moved into a new type of business to meet consumer needs. Kraft has ventured into frozen food in an effort to meet changing life-styles both in America and abroad. The examples of the Kraft cheese slices and the Cheese Whiz are illustrations of how adaptive marketing works.

Gregory E. Osland's research reveals that: "The operation of variables such as uncertainty, adaptation and the exchange of information are both creative and effective" (Osland 126). He further states that "In extreme uncertainty, as in international marketing, the Swedish firms exchange more information and make more adaptations" (126).

Subhash C. Jain, Professor of Marketing at the University of Connecticut, explored the concept of standardization. Standardization of international marketing strategy refers to using the same marketing mix worldwide. Although the concept of standardization is not new, research shows that it is nowhere near being implemented except in the European countries in 1992. If it should become effective globally, it could possibly help alleviate the communication problem that exists between the countries of the world. Having everyone doing business the same all over the world sounds like an excellent idea. However, Jain's findings were not conclusive enough to support the concept of world market standardization, at least not at the present time (77). Further research is being conducted on the subject.

Dr. Mohammed I. AT-Twauri, Dean at the College of Industrial Management in Saudi Arabia, conducted an interesting investigation concerning a cross culture comparison between American and Saudi Arabia managerial styles and values. In recent years, business has steadily increased between these two countries. According to AT-Twauri:

> Since 1986 there have been 268 joint ventures between Saudi Arabia and the United States. This increase in business ventures has led the Saudi Arabian government to experiment with policies that have been set forth to pretect and control economic activities within the Saudi Arabian borders (58).

For example, AT-Twauri points out that: "Saudi Arabian labor laws require that any foreigner who is engaged in joint ventures with their country set up programs to train the Saudi Arabian employees" (58). Some foreign governmental and economic policies may seem strict at times, but the case in Saudi Arabia is a prime example of breaking or at least closing the cultural barrier between the two countries. Sources show that even the Saudi Arabian students, who have acquired their degrees in the United States, are returning home more frequently to seek employment in their own culture. Many of these young people manage to get jobs with multinational corporations or with companies who are involved with joint ventures with the United States. There couldn't be a better way to strengthen business ties and eliminate cultural misunderstandings than this type of situation. Certainly as we move further into the 90's, a better understanding of values, attitudes, and business practices will become more critical to the success of international business.

Jessica Shelly's research shows that: "Those American companies engaged with joint ventures in the Soviet Union, must become actively involved with the

Soviet reform. Those countries are encouraged to express their support for the new reforms that are taking place in the Soviet Union" (37). Here again is a case of managers getting involved with the culture where they intend to do business and, of course, narrowing the culture gap.

Unfortunately, most Americans don't seem to show much enthusiasm for studying foreign language. The days of being ignorant to what is necessary for success in international business are over. Aside from visiting the country where the business will be established, there is more and more information available in libraries than there ever has been. There are some businesses who specialize in translations, such as translating instruction manuals for assembling toys, kits, etc.

A potential international manager could attend cross cultural workshops sponsored by various international organizations, colleges and universities or maybe some neighborhood groups. This type of training can avoid embarassing and costly situations when trying to win contracts. Charles F. Valentine, a partner in an accounting and consulting firm in Wash ington points out some examples:

> An American oil executive was about to sign a contract with a mid Eastern Country. A short while before signing the contract, the two representatives met for tea. While relaxing, the American propped his feet upon a table, with the soles of his shoe facing the Arab official. The Arab official became angry and left the room. The American official was surprised to learn that exposing the soles of his shoes was offensive to the Arabs. It was a whole year later before that contract got signed (56).

Even when selecting foreign business partners, a firm must not act impulsively. Valentine describes what has happened when managers are too impulsive. "When a firm sends a manager overseas to select a foreigner to represent the business, eventually the firm learns that the person that was selected is not all that he was thought to be" (56). This is what happened when the manager failed to conduct a thorough investigation of the individual he selected. Valentine also points out that not all foreign businessmen use the phone the same. In some cultures, conducting business by phone is not the same as conducting business face to face. Some of these cultural norms may seem trivial when compared to American customs, but they are reality and international businessmen should observe and practice them because they can determine the success of an international business.

The idea of establishing partnerships is another means of narrowing the communication gap that exists between the countries of the world. For example, AT & T has realized that it can no longer be self sufficient when approaching new markets overseas. This company has existing business in countries such as: Spain, Italty, the Netherlands, Japan and Jamaica. According to Ellen Zundl, the reporter for <u>Focus</u> magazine:

> Whenever an international business opportunity presents itself, AT & T realizes that there may not be enough time to come up with a quick organizational response. An acquisition would be too costly. Therefore, the company engages in joint ventures and alliances. These are ways to accomplish more and less time is required (26).

While Dianna Solis, staff reporter for the Wall Street Journal, describes the efforts of an entrepreneur in Mexico City who has a different view, Peter Johns wanted to do business in Mexico City. But he wasn't able to find the information he needed to conduct his marketing research. His plans were to distribute mail order catalogs for some of the better companies located in the United States.

According to Solis, "the Mexican government stops breaking down income levels at 35,000, and they give ranges, rather than the number in each family" (B2). This, of course, made it more difficult for Johns to target his market. So he set out to do some leg work of his own. He visited upper class neighborhoods, where he observed life styles of the people. From these observations, he was able to determine "The size of his market and estimate that the average family size is about three per family" (B2). Through his persistence, Johns eventually acquired the information that he needed to get his business started.

Solis believes that: "As Mexico opens its economy to foreign capital, other foreign investors will discover like Mr. Johns, that rudimentary marketing research is very scarce. Specialists are not available to compile information. So, many other investors could find themselves on their own trying to start a business in a foreign economy" (B2). More than likely, this grass-roots marketing concept will be repeated in other countries such as former communist countries and some of the third world nations as well.

Other theorists seem to have the same view as AT&T. For example, Robert Porter Lynch looks at some of the variables involved in forming alliances and/or acquisitions in his article in the Journal of Business Strategy. The first variable is trust. Before any negotiations can take place, the management must gain the trust of the new management. Lynch points out that "Trust can be built through co-operative ventures. After building a strong business relationship, then make an acquisition offer later" (4). Lynch goes on to say that:

> While Europe is becoming a united economy, it will remain a fragmented market with a wide diversity of cultural and nationalists traditions. The European business culture is more open to the co-operative venture from foreign businesses than the acquisition (5).

It appears that the Europeans, like the Japanese, are more in favor of establishing a solid business foundation, accessing the real potential of the business, giving confidence and an understanding of the current management. Once this has been accomplished, then the alliance can more easily be transformed into an acquisition if everything is in favor of it. If things are not in favor of an acquisition, the firm could increase its investment in the partnership.

Lynch's research shows that coordinative skills are critical to managing an alliance. He points out that:

> No one company is in complete control, and because alliances can't be commanded, the two companies must work together. Managers need good interpersonal skills in order to manage the cultural and organizational differences (8).

When a firm enters a new market, it can force its products or services on the people or it can involve the local population in the product design and the marketing strategy. While both of those alternatives may be workable, the later would be the most effective. Mark R. Arnold points out that "when dealing with foreign cultures, acceptance is the key to implementation. Acceptance also frequently requires adaptation to local conditions" (28).

Studies show that European managers believe that they are different from other managers. This includes the United States Managers and other foreign managers as well. The foreign managers seem to have one thing in common, they all have the same opinion concerning United States managers. Many European managers see the U.S. managers as harsh and insensitive to other cultures. U.S. managers believe that what works well in America should work the same in foreign cultures. This simply is not true. Many American businesses have suffered great losses because of cultural assumptions. the American businessmen have stereotyped the European businessmen as well. They say that the Europeans are too bound by tradition and they are behind the times. This type of behavior has existed between the Americans and their counterparts for years. If either is to be successful doing business with each other, they will have to meet a happy medium at some point in the game. With the world market expanding, and competition increasing, now is the time for these managers to reconsider their ways and make some changes in a more positive direction. This is exactly what some European and American businessmen are attempting to do.

Arnold recognizes four key strategies for accomplishing unity between these two continents. The first is awareness. In order for any change to take place, something or someone has to draw the attention of the potential consumer. In other words, there must be something different about the product or service. Sometimes that difference has to jump out at the consumer to change the old attitude. Advertising plays a big part in making buyers aware that new or modified products are on the market.

Secondly, Arnold focused on communication. Communication plays a key role in all our lives. Whether in the business world or elsewhere, good communication skill is imperative for a business to be successful, especially foreign business. Arnold believes that:

> once the people understand and agree that a change is needed, they also need to understand why. Those who are affected by the change should be involved in the process. They should be able to give feedback, influence the change, and be listened to (29).

The third concern is participation. This area ties in with communication. It simply concerns involving the people in the change process. Most people will reject those things that they don't understand and those things that are forced upon them. This is a normal reaction (29).

Forth and lastly, Arnold mentioned adaptation. Since the Europeans are aware of American business practices, they will no doubt be on the defense against American businesses. If the Americans are smart, they will realize that they don't necessarily have to abandon their programs. They can simply tailor them to please the European consumers (29).

Recently, American and European managers have made significant progress in dealing with the different cultural barriers, and different practices. For example, Arnold points out that an awareness seminar was conducted between the two nations. The focus was on total quality. A series of workshops were held in each country to introduce the concept of total quality. According to Arnold, the major factor that was clearly understood by all is that, "For a major cultural change such as total quality management to be accepted, it has to be sold to local managers in each country. Local consultants must be used instead of only United States' consultants" (30).

In the area of communication, the managers are conducting surveys to identify the issues that each country needs to work on to improve its competitive standing. An assessment phase is also being conducted. This includes interviews with all levels of management in all local languages. This is a sure way that each side can identify its strengths and weaknesses and do something about them.

In the area of participation, the managers are forming quality action teams to analyze the findings and create action plans. These plans include identifying critical work processes that need help and assigning cross functional teams to deal with these problems.

On adaptation: A plan implementing total quality management in Europe was initiated. This plan was built from local business units in each country, with Europe as headquarters. The results of these efforts, according to Arnold was "the installation of a 'made in Europe' total quality process. This process follows the United States model but it bears all the imprints of local (European) management" (31). A more profound effect of these efforts was the establishment of good interpersonal relationships between management and the customers. Communication between management and the workers was improved. An improvement was made in the overall work process. Local quality action teams were effective in keeping an eye on those process that hindered productivity and custom satisfaction. No job is complete until the customer is satisfied.

Most theorists seem to agree that in the future we will see more partnerships and joint ventures, especially in international business. There is a great advantage in having a local partner and a foreign partner. In such cases, each partner can incorporate both cultures, and the effect will hopefully produce a successful business. There are several facts that must be kept in mind by all concerned, such as: cultural differences cannot be ignored. These differences don't just go away because one partner thinks his ideas work the best. No one wants anything forced on them. So, each partner must be flexible and sensitive to each others cultures and respect those differences. Excellent communication is a must when trying to establish a business between different cultures. Communication involves more than one individual. There has to be a sender and a receiver. The sender must be sure that the message is understood properly. In one culture a word could mean one thing, and it could mean something totally different in another. Finally businesses must be willing to adapt their product or service to the new culture. Adaptation does not mean that an idea and/or program has to be abandoned. What it means is that the idea and/or program should be adjusted so that it will be acceptable within the new culture.

Foreign Language

International business studies are on the increase among American colleges and universities. With the global market expanding so rapidly, everyone is starting to realize that a foreign language is a must for survival in the face of global opportunities and competition.

Barbara Bowley's research tells us that:

> The role of the foreign language educator will rapidly expand from the liberal arts college to the schools of business. This extension involves more than instructional services, but also participation in policy decisions related to the integration of foreign language and international business studies (9).

At the present time the majority of business schools are in the developmental stages of incorporating foreign language into their international business program.

According to Bowley:

> The American business community has been critical of foreign language educators in higher education for emphasizing reading and writing skills for literary purposes rather than on the speaking and listening skills which they consider more important for international business purposes (13).

However, the international business program directors all agree that a foreign language should be encouraged prior to admission into a masters degree program. Everything may be in developing stages, but it is a step in the right direction.

Conclusion

Many writers and theorists agree that good communication avoids serious misunderstanding such as knowing when and how to apply certain business principles.

All business deals are reached through negotiations. However, there are many other factors that can influence the negotiation process. For example, in some cultures, a thing as simple as giving a gift or a handshake can cause serious problems if a manager is not familiar with the practices of that culture. Adapting one's product or service can also influence negotiations. No one is right all the time. Some managers are under the impression that it is their way or no way at all. Many managers have learned that this simply is not true, especially in the international market place. The European and American managers are working together to overcome this situation. They are meeting each other half way. In other words, both sides are making concessions. As we move into the 90's, managers will be more mindful of the importance of good communication and adaptation.

All the data collected supports the hypothesis that communication and adaptation are the key factors in doing business successfully in the international arena.

Chapter III

Selective Review and Evaluations of Research

In view of the ever-increasing incidence of global economic cooperation among business organizations from diverse cultures, there is a great need to identify strategies that can maximize the probability of successful business negotiations.

Reflecting on the previous chapters, there was an obvious pattern where business negotiations were not successful. The pattern indicated that American businessmen made little or no preparation to enter the foreign market. From this observation, one can see that the data collected supports the hypothesis, that communication and adaptation are key factors for doing business in foreign markets.

The study conducted by Dr. Tung involving Korean and American business ventures brought out some interesting facts concerning poor communications between the two countries. In all business deals, there is sure to be some difficulty overcoming policy and organizational differences, but dealing with business partners from diverse sociocultural backgrounds that have totally different value systems must be most difficult to manage. According to Tung, the cultural dimension can significantly influence and thus complicate the processes and the dynamics that are associated with international business negotiations (31).

The Korean subjects stated that "knowledge of Korean culture and language is imperative to achieving success in Korea" (37). However, learning the language and the Korean culture was not a priority of the United States businessmen according to the study. The Americans learned that there was also a hidden language that had to be dealt with concerning contracts. In America, the typical view of a contract is that it defines the rights and responsibilities of the parties involved; it cannot be altered, it is a legal document and an individuals signature is binding for the life of that contract (37).

In spite of dealing with the language and other cultural barriers, the Americans also had to deal with the Korean government, because that government has a great deal to do with international business.

Many American businessmen learned during one of the ventures in this study that a written contract is often not binding. The Koreans feel that if circumstances change, the contract should also change (Tung, 37). In view of how a contract is treated in America, this was very frustrating for Americans doing business in Korea.

Earlier studies on business negotiations between China, Japan and the United States found that while the ability to bridge cultural differences was not as important as the success of business negotiations, the failure to bridge that cultural gap was found to be the main cause of business failure. All the subjects in this study drew the same conclusion regarding Korea (37).

One of the American subjects acknowledged that he was not prepared for a business venture with Korea. This says that no preparation was made to establish any type of communication with the new culture. Unfortunately, one cannot cross cultural lines and expect things to be business as usual (37).

The main reason that most foreigners engage in business with the United States is to acquire knowledge of modern technology. The findings of this study suggest that after having all the new technology, advanced products cannot guarantee success in the international arena. Even in those cases where advanced technology is the primary motivating force, the countries involved cannot coexist and function peacefully until all concerned are willing to work out any differences that hinder successful business negotiations (Tung, 39).

This experiment was well controlled in that it only involved the United States, Korea, China, and Japan. Because the United States was already doing business in Japan and China, it was easy to make a comparison between doing business with all three countries.

The sampling technique was significant because it included a wide range of products and services. As was brought out in the study, the same types of businesses are handled differently in different countries. For example, in Korea all pharmaceuticals can be purchased over the counter; whereas, in America pharmaceuticals are controlled and regulated by government agencies (Tung, 36).

In view of the subjects and the type of experiment that was conducted, the researcher's conclusions are supported by all the data that was collected. No degree of variance was observed in this study.

Another interesting study was one that focused on adaptation. This study was conducted by Kraft General Foods. The study examined three aspects of adaptive marketing: 1. Similar Marketing across the world market. 2. Revising an existing product and 3. Introducing new products to fill customers' needs (Kilts, 39).

Kraft took a marketing concept developed in the United States and adapted it for foreign markets. This idea was a commerical revealing the dairy content of Kraft Cheese slices. The study showed that through advertising, the Kraft commercial was not only a success in America but in Canada, Britian, Australia, and Spain. Each commercial was tailored to the specific foreign market (40).

Another Kraft food involved in the study was Cheese Whiz. Cheese Whiz has been around for a long time. Kraft decided to change the way this product can be used by making it microwaveable. They also changed the packaging and added new flavors according to the demand in each country where the product was most popular. Again this was another success enjoyed by Kraft foods by simply adapting an old product to fit the desires of people in other cultures.

The study proved that the concept of adaptive marketing does work. Through the process of adaptive marketing, Kraft has learned the importance of adapting consumer products to the ever changing needs of the global marketplace.

The research method employed in this study was appropriate for this type of product. Kraft was able to draw on its most popular products which are dairy products, more specifically cheese slices and Velveeta. The sample population chosen were the countries where the product is most popular, which allowed reasonable control of the study. All the data collected is directly related to and supports the hypothesis.

The case study involving joint ventures between eight European countries further supports the concepts of adaptation and communication. Also awareness of participation was discussed. The countries who participated in the study were: Britian, Spain, France, Belguim, Netherlands, Germany, and Italy.

This study identifies some of the key differences between American and European managers. The difference between the two approaches recognize that when doing business with other cultures, acceptance is the key to effective implementation and that acceptance frequently requires adapting to local conditions (Arnold, 28).

According to research, the American managers have a habit of making cultural assumptions that often inhibits their progress abroad. They assume that if an idea or a product works in the United States, it should also work abroad. Thus, the European managers view their American counterparts as impulsive, brash and ignorant of European history. The Americans also have some stereotypes concerning their European colleagues. They believe the Europeans are bound by tradition and times. The Americans also considered how the European countries are broken up into small countries, each having its own rules, regulations and ways of doing business (Arnold, 29).

There was no communication between the nations involved in this study. No one was aware of how the others felt about issues and concerns that affected all of them. Obviously, neither the Europeans nor the Americans realized that it would be virtually impossible to do business with each other without at least being more concerned about the cultural differences that had created a wall between them.

The important thing here is for all concerned to become aware of the feelings and norms of one another. In order for change to be accepted, it must be viewed as desirable. In other words, an individual must want to change before a change can take place. Once the managers understood that a change was needed, they were able to establish a communication system and provided support for each other as they worked toward a common goal. That goal was to break down the wall (cultural barriers) that existed between them. Unless some common ground was established, neither country would have been willing to adapt their product and/or service to the needs of the others.

This study not only supports the hypothesis that communication and adaptation are key factors to doing business internationally, it also brought out that commitment is equally important to international business.

Again, the sample population was adequate. It covered a wide range of European countries. In doing so, the reseacher was able to ascertain more accurate results. There was a small degree of variance, however, not enough to have an adverse affect on the hypothesis. The conclusions drawn by the researcher were supported by the data collected.

A study was conducted in Saudi Arabia by Mohammed I. AT-Twauri in an attempt to strengthen business ties and eliminate cultural misunderstandings. The study involved a joint venture between the United States and Saudi Arabia. Saudi Arabian law requires that any foreign country doing business in or with Saudi Arabia should set up programs to train Saudi Arabian employees. This was a method used by Saudi Arabia in an attempt to narrow the cultural gap between the two countries. The results will be discussed in the subsequent chapter (AT-Twauri, 58-63).

The methods use in this study were appropriate for this type of study. The experiment was well controlled because it only involved two countries (Saudi Arabia and the United States). Because the experiment only involved two countries, the sample population was limited. This could have an affect on the results. However, the researcher's conclusions are supported by the data that was collected.

Another study involved standardizing international marketing as a means of more affective communication globally. Though much has been written on this subject, the world market is nowhere near any conclusive theory or practice. The concept behind international marketing stardardization is to use a common product, price, distribution and promotion program on a world wide basis (Jain, 70).

Empirical studies in the area of international marketing are limited. Because empirical detection requires a theoretical base, this study was an attempt to come up with some sort of conceptual framework for gaining insights into the standardization issue. Several hypothesis were presented in the form of propositions. Suggestions for testing the hypothesis were presented. The main focus of the article was to establish a research agenda on the subject of standardization.

Because empirical studies on this subject are so limited, this particular study was a compilation of the works of various authors, researchers and thinkers. Many ideas were left open for future study, which will be discussed in the next chapter.

Standardization of international marketing strategy could solve some of the communication problems. But since no conclusions have been drawn and no concrete decisions have been made concerning standardization, business must go on.

More interesting research has been done concerning cultural variables that managers must deal with. Some of the variables identified in the study were: Knowing how managers must conduct themselves for the first meeting, knowing how important it is for a new manager to be knowledgable of how other cultures conduct business, and knowing what the social norms are.

The research method used in this study was well planned and thought out. The sample population was well controlled in that it included social and business practices from countries already engaged in business with the United States. The researcher's conclusions all support the data presented. One limitation was acknowledged by the researcher, and that is a shortage of empirical studies on the subject.

Chapter IV

Results

The United States and many other countries around the globe are searching for international business opportunities. As we move further into the 1990s, international business opportunities are growing at a rapid pace. However, research has shown that when most international business opportunities present themselves, the partners involved are usually not prepared to enter into the venture.

The study involving the United States and Korea has shown that the Korean market offers great opportunities for the United States and other firms. However, the Korean market is viewed as an extremely difficult environment in which to operate according to the subjects involved in the study (Tung, 40). The joint venture between Korea and the United States resulted in highlighting the role that value systems play when trying to mold the partner's perception of what the important issues are in international negotiations (40). The study also brought out how decisions are made and how to proceed in negotiations with the Koreans. Finally, this study resulted with United States/Korean business cooperations being presented with many frustrations and challenges which reflect cultural differences.

Another study conducted by the Kraft corporation was one that resulted in much success, because Kraft was skillful in adapting a commercial message centered around processed cheese slices to foreign markets. Kraft used the adaptive marketing concept to reposition its Cheese Whiz spread to a cheese sauce (Kilt, 40).

The results of Kraft's efforts really paid off. The first year after repositioning, Cheese Whiz sales grew 35 percent overall (40). Many new customers in countries where this product is popular were introduced to the product. The revitalization of Cheese Whiz appealed to younger consumers which was a contributing factor to the increase in sales.

One of the adaptive marketing's most complex situations is selling similar products in foreign markets, especially the food business (39). Today's food industry is becoming more global as other products and services. Studies show that food tariff barriers are dropping and more companies are taking advantage of this opportunity by making international business a high priority. For example, about 25 percent of Kraft General Food sales and earnings comes from outside the United States (39). For the Kraft Company, international business is one of its fastest growing segments.

It appears that Kraft entered into the foreign market with the knowledge that in any given country, the daily diet is still culture bound. Having this knowledge, Kraft was able to use the adapative marketing process to tailor its Cheese Whiz and cheese slices to fit the needs of other cultures.

Another study involving the United States and Saudi Arabia reveals that business between the United States and Saudi Arabia has grown tremendously in recent years. Because of the increased penetration of United States and Saudi Arabian business ventures, the Saudi government was led to experiment with policies intended to control and protect economic activity in Saudi Arabia (AT-Twauri, 58). The law requires all foreign joint business ventures to set up an extensive training program for Saudi Arabian employees. According to the study, a growing number of Saudi Arabian students who have studied abroad (mostly in the United States) are returning home to seek employment (58). Many of these American trained professionals work for companies engaged in United States-Saudi Arabian joint business ventures (58). As a result, there is a better understanding of the behavior interactions between the Saudi Arabian manager and his/her American counterpart. Good interaction between foreign joint ventures is imperative to develop effective international managerial practices.

As more American owned multinational cooperations expand their operations in Saudi Arabia, the interaction between the Americans and the Saudi Arabian managers is proof that adaptation is a main source for doing business successfully across cultural lines.

The results of the Saudi Arabia/American study showed that the Americans are actually changing some of their attitudes and value systems to those of the host country. The joint venture companies in Saudi Arabia are gradually westernizing some areas of their value system as well, using mostly western management techniques (59). It appears that both countries involved in this study have decided to give each other the benefit of the doubt and make concessions with some of their cultural value systems such as job satisfaction and paternalistic values. No doubt the decision to adapt certain of their cultural norms to the other will be beneficial to both sides.

Another study concerning standardizing international marketing strategy is one that presented numerous questions but few answers. One study cited raised an important research question: Do economic similarities among nations foster market homogeneity in terms of specific product needs, opening the door for globalization? According to Jain, "in general, standardization is more practical in markets where the economics are alike" (72). Developed countries are more compatible with other developed countries, and underdeveloped countries are more compatible with other underdeveloped countries. When considering a global concept such as this, one should not look at the target market in terms of which one is rich or which is poor; it is possible to identify segments in both developed and developing countries that are similar. There are many multinational companies operating in a number of countries around the world. Certainly not all of these countries are wealthy and not all of them are poor.

The multinational cooporations must adjust their products and practices in each country, which can be costly. Success in a world of homogenized demand requires a search for sales opportunities in similar segments across the globe in order to achieve the economics necessary to compete. Such a segment in one country is unique (73).

Culture influences every aspect of marketing. The products people buy, the attributes they value, and whose opinions they accept are all culturally motivated. For example, different levels of product awareness, knowledge, and familiarity in general and specific brands may result in different attitudes toward similar products (73). Cultural differences influence consumer acculturation which in turn affects the acceptance of standardized products (73). For example, when a product is culturally compatible with the society, it is likely to be more suitable for standardization (73). However, no hard data was presented to support the researcher's viewpoints.

A model for making the standardization decision can be developed by synthesizing both theoretical and empirical works in marketing, international business, and strategic planning (76). Ultimately, the relevance of international standardization depends on its real economic payoff which includes financial performance, competition, and other aspects (76). Judging from what the researcher has presented in this study, the concept of standardization has a long way to go before it can become reality.

The study looked at many ideas and theories, but because limited research has been done on the subject of standardizing international concepts, no conclusions were drawn.

The study that involved Europe and the United States produced very positive results. The results of the efforts between the countries involved has been the installation of a model in Europe called "total quality process," which was modeled after the United States who patterned its quality programs after Japan. This is an excellent example of what can happen when one culture is willing to adapt some of its customs to another culture. This does not imply that Europe has forsaken its value system; this simply says that trying something different and taking a risk sometimes pays off in a big way.

Not only was a new quality process implemented in Europe, improved customer awareness also resulted. This result was based on each employee identifying his/her role in the customer supplier model. This deals with internal as well as external customers (Arnold, 31).

Better communications resulted from this experiment. Managers transferred participative management back to the workplace. For this to be done successfully, communication was improved across departmental levels and up and down the chain of command (31).

Improvement in the overall work process resulted in some of the European countries. Local quality action teams were developed to identify and resolve any problems affecting productivity. For example, one of the European companies assigned a quality team to resolve the problem of late customer deliveries. The plant had previously sought to cut the order-to-delivery time by building inventories to be sure that the material was available when the orders come in (31). What they discovered was that all orders didn't require an inventory; some of them could be handled on a "just in time" basis (material and orders arrive about the same time). Thus a new order-to-delivery system resulted. This new system cut delivery time and inventory which met the company's quality goal of better customer service and cutting costs (31).

Until recently, the uncertainty of trying new ideas and the system of trial and error which is so valued by American entrepreneurs seemed uncomfortable for Europeans. European nations had established their own way of doing things and were set in their ways. The companies involved in this study have gained a great deal more insight concerning what it takes to get into the international business circles and how to achieve success. They realized that communication, adaptation, participation and awareness are all essential ingredients for a successful international business. These ingredients are necessary for breaking some of the cultural barriers that hinder international business negotiations.

This paper, based on the hypothesis that adaptation and communication are the key factors to doing business internationally, incorporated the findings of interesting studies that covered communication, adaptation, customer participation and customer awareness. As a result of these successful studies, many of the cultural barriers which once made it difficult--or impossible--for some nations to do business with each other have been virtually eliminated.

Chapter V

Discussion

Throughout the preceeding chapters, the focus has been on how cultural barriers affect international business negotiations. International business practices have been in progress for quite a few years but not as wide spread as it is today; and certainly it has not experienced the success that international businessmen and women are enjoying today. This international business success came about as the results of failures and near failures of other companies trying to do business abroad without first doing their homework. Some companies have gone into other cultures and started business without any prior knowledge of that culture's values or customs.

Negotiating can be complicated enough between parties from the same country. Negotiating across cultures is even more complicated because of the misunderstandings caused by cultural differences. Negotiating style differs from nation to nation.

A good example is the Korean/American study conducted by Dr. Tung. This study resulted with many misunderstandings on both sides, mostly on the part of the Americans. The Americans appeared presumptious and they took too much for granted. For example, they assumed that the Korean business process was the same as in America. The Koreans had a slight advantage because they had some knowledge of the American business process. They knew that the average American businessman is eager to close a deal rather than developing a long term relationship, which is the opposite of how they do business. The Americans accused the Koreans of being illogical and inconsiderate of their counterparts. According to the study, what the Americans called inconsiderate was normal behavior for the Korean managers. In the final analysis, this study was an educational one for the American subjects. They were enlightened concerning not only the business side, but they became aware of the Korean society's customs, value systems and how they relate to international business.

Hopefully, the information brought out in this study will serve as a guide to those who intend to do business in Korea in the future.

Other theorists share the same opinion that communication is the key element for a successful international business. There are numerous variables to be dealt with at the same time one is establishing a business in a new culture. First, there is a language barrier. In order for one to communicate with another, they must speak a common language. With no communication system, there is absolutely no way a business can be established, let alone be successful.

Communicating entails more than just learning the language. It also involves an understanding of the cultures' policies concerning greetings, gift giving, which colors and/or symbols are acceptable and which ones are not. Research revealed that cultures all over the world use various body languages and gestures to relay messages. In some countries the gestures and movements may be the same, but their meanings are not the same in all cultures.

For example, a simple hello can be misunderstood in some cultures. In Japan, the common greeting is a bow, which symbolizes humility; while in Italy, a handshake is acceptable. In Taiwan the common greeting is placing the hands in a prayer position at the chin and bowing slightly.

Other examples are gift giving and the use of certain colors and symbols. In Japan, gift giving is regarded as a part of doing business, while in countries such as Belgium and the United Kingdom, gift giving is not common when doing business. In Islamic countries gifts are acceptable; however, certain types of gifts such as alcohol and pictures of women are offensive. In other countries such as Latin America and some European countries, certain colors such as black and purple are offensive.

Whether it is giving gifts or speaking the language, it appears that the Americans are finally awakening to what the Japanese have known all along. Now the Americans can see the importance of learning as much as they can about the new culture, and if necessary, learn the language and be willing to adapt to the new environment. A manager who does his home work well will look for similarities between his culture and the new culture. Once some similarities have been identified, the task of adapting to the new culture can be made easier.

Adaptation is another very important factor when doing business internationally. It was proven in the Kraft General Food research. Kraft proved that you can take an old item such as Cheese Whiz, revitalize it by adding new ways to use it; which gives it the appearance of a new product. Through adaptation, Kraft was able to revitalize another one of its existing products which is cheese slices. Since milk is a universal food, Kraft was successful in using a commercial which focused on the milk content in each of its cheese slices. This commercial went over big in four of the countries where cheese slices are popular (Spain, Canada, Britian and Australia).

Summary

From Europe to Saudi Arabia, the adaptive marketing concept has made its mark. Recently, American and European managers have made significant progress in an effort to deal with the cultural barriers and different business practices. The two continents were able to achieve unity by implementing four key strategies. The first was awareness. They realized that for change to take place, either the product or some one must get the attention of the customer. Advertising plays a major role in getting the customer's attention.

Secondly, the managers realized that communication is of utmost importance when doing business abroad. The people must understand that a change is necessary, and they must also know why a change is taking place. Once this information has been made available to the potential customers, then they can interject some feedback into the process which would influence the change. By communicating with each other, both the American and European managers were able to identify each others strengths and weaknesses and possibly do something about them.

Thirdly, the managers focused on participation. Since most people will reject anything that they don't understand, it was wise to involve the customers in the change process. After all, who knows best what the customers want other than the customers themselves?

The last strategy was adaptation. We can't seem to get away from this concept. Hopefully each side will be smart enough to understand that adapting to a new culture or even a new idea does not mean abandoning their project. It simply means that an adjustment is necessary.

Even in Saudi Arabia, the concept of adapting some of its management practices has been successful with some of the multinational corporations who are doing business in Saudi Arabia.

Whether in the United States, Europe, Japan, or Saudi Arabia, if you are a foreigner who intends to do business in a culture different from your own; you will learn early in the game that communicating and adjusting your theories and ideas will be necessary for a successful international business.

All the data collected during this project leads to an overwhelming acceptance of the hypothesis that communication and adaptation are the key factors to successful international business negotiations.

Limitations

In the beginning of this project one problem encountered was there was not enough current information available on this subject. This was not a major hinderance; however, it did cause a slight problem with collecting the necessary data to complete the project.

Another problem was that some researchers have come up with some good questions but no answers for them. For example, the subject of standard global marketing strategy was researched, but not enough empirical research has been done to support or reject the hypothesis.

Suggestions For Future Research

For future research, the project that was begun on standardizing global marketing strategy should be completed and supported by research. The idea of establishing common business practices around the world will not be easy to achieve. However, as international business becomes more common around the world, the concept of standardized marketing seems worth looking into.

In the future, it would be nice to see more reading material dealing with successful business stories rather than business blunders.

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