

In the 1950s, Richard Nixon made a trip to Brazil, and as he was getting off the plane, he greeted a mass of Brazilian officials, journalists and other citizens. On his way down the stairs to the runway he smiled, waved and gave the “A-Okay” sign to show the people his good intentions. Unfortunately for Nixon, this gesture is the Brazilian equivalent of giving the middle finger in America.

In Brazil, most citizens probably had a good laugh at Nixon’s ignorance and realized that he had no idea what message he was really sending. But it is just as likely that at least some of the country found it insulting that the leader of the free world would make such a lewd gesture, or that he did not spend the time to familiarize himself with the nation’s local customs before arriving.



The Pitfalls of

Business executives confront the same range of reactions in similar situations, but in some cases, a single mishap is enough break a deal. “Everyone knows someone who has gone to Brazil and done this,” says Dean Foster, president of the worldwide cross-cultural training company Dean Foster Associates. “It can be very offensive. In some cases, people have lost million-dollar deals.”

Different Cultural Customs

Throughout the world, there are thousands of seemingly minor differences, which can have varying degrees of severity. In some cases, laughter or an uncomfortable smile is the only outcome, but in other business and social scenarios, more awkward—and potentially offensive—results can occur when one party is unfamiliar with



Cross-Cultural Business

by Jared Wade

the other's cultural customs.

Like the Brazil scenario, problems and confusion often arise from improper gestures and body language. Holding up two fingers like a peace sign with your palm facing inward, for example, is similar to the American middle finger or the Brazilian "A-Okay" in Britain and many English-speaking countries.

"In the Muslim world, the sole of the foot should not be shown because it is seen as dirty," says Foster. "In America, we often sit casually with our foot crossed over our knee, but this is seen as insulting in most Muslim cultures."

In Bulgaria, many American executives get confused as they think that everything they say is taken negatively. But there, shaking your head "no" means that the person is listening, not that they disagree with you.

Another custom that many Americans may find shocking is the role that alcohol plays in business dealings. In the United States, there can be a stigma associated with even ordering a beer at lunch, but in many Asian cultures, beer, liquor or warm sake is usually shared at social business events. Because of the group-oriented nature of these cultures, people refill each other's glasses—often very frequently—and if someone fills your glass it is generally a sign that they wish you to do the same. If you are a light drinker, it may be wise to leave your glass full so nobody can top it off.

In Hungary, glasses of apricot brandy are often served at business meetings even early in the morning and to refuse is seen as being rude or even untrustworthy. Common advice is that the smaller the glass, the more potent the drink, therefore the more cautious one should be.

When conducting meetings, businesspeople should be aware that "punctuality" means different things in different countries and should be

prepared to act professionally in the face of unexpected tardiness, no matter how unprofessional it may seem. As a general rule, people in Germany and Sweden are usually on time, but in Spain, Costa Rica and especially Italy, people tend to be late. Because of this, it is often best not to jam-pack one's schedule with appointments.

Gift-giving at meetings can be an important part of successfully conducting business in much of Asia, particularly in Japan. "Giving a gift when doing business in Japan is essential," says Foster. "The gift should always be wrapped in red or gold paper and it is a sign of disrespect if it is not given with two hands." Gifts



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should also not be opened in front of the presenter, as it is seen as disrespectful.

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While these slip-ups often make for humorous anecdotes, they are generally more cause for embarrassment than disaster. They may have broken deals in the past, but by now most foreign executives realize procedural cultural differences will inevitably occur when doing business with people from other regions, and only ultrasensitive executives will take most of these improprieties with much more than a grain of salt.

"Most of these minor faux pas

aren't deal breakers anymore," says Sheida Hodge, worldwide managing director of the cross-cultural division for Berlitz International, Inc. and author of *Global Smarts: The Art of Communicating and Deal Making Anywhere in the World*, a popular strategy guide for dealing with language barriers, culture shock, international negotiation tactics and establishing cross-cultural trust. "In the 1980s, cultural training only focused on these visible aspects such as meetings, greetings and dining etiquette. In the 1990s, people began to pay more attention to these invisible aspects, which are the real deal breakers."

These visible cultural aspects are the ones that are present on the surface, which include language, etiquette, eating habits, gestures and social customs. Examples of these include whether you should eat with silverware, chopsticks or your hands; or whether a greeting should consist of a handshake, a bow or a kiss. And while being unfamiliar with any custom can lead to awkward moments, most executives doing business with foreigners understand that not everyone will be familiar with their ways.

"There is probably nothing more common than a Japanese executive extending his arm for a handshake just as his American counterpart leans over to bow," says Foster.

Beneath the Surface

What executives abroad should be most concerned with are those invisible cultural aspects that lie deep beneath the surface. In each of us, there are ingrained behavioral traits that have become deep-rooted by the culture in which we were raised. These aspects are what create most conflicts in business relationships because they are less obvious and can rarely be laughed off by either party.

"When people's ingrained cultural behavior is not recognized as due to cultural differences, then partners to a

deal may not trust one another," says Hodge. "You must understand the cultural differences that effect the business practice."

In order to begin understanding cultural differences, it is important to first examine your own culture. As with most cultural groups, there is a certain perception of the American businessperson throughout the world. And although many discrepancies exist depending on geographical region, upbringing and industry, there are some qualities that most American businesspeople possess.

Individuality is one of the primary driving forces of American culture, and the ability to accomplish goals alone plays an important role in forming the self-image. Americans define themselves through personal achievement and view themselves as a unique individual more than as a functional part of society. In most cases, this carries over to the corporate world as well. For example, CEOs and other high-level executives often receive astronomical salaries compared to others they work with closely based on their proven individual track record. And even mid-level managers are generally given wide decision-making authority and encouraged to trust their own judgment.

Many cultures do not rely so heavily on the individual and relegate all final decision to counsel. This can be a particularly frustrating roadblock for U.S. businesspeople who are used to more of a one-on-one relationship.

"Let's say you go to Germany, where things are decided more by consensus," says Hodge. "There is often a panel of many experts from different fields that come to make a consensus decision. Because of this, many see German business as very authoritarian. This is basically true because individual managers don't have the authority to change decisions made by the panel."

This process can also conflict with another cultural aspect of American business—efficiency and timeliness. U.S. businesspeople are accustomed to quickly proposing deals, hammering out negotiations and moving forward to a final decision. But because of the decision-making process and other cultural differences, much more patience is often required when doing



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business abroad.

In many hierarchical cultures, most employees make very few decisions, and everything is handed down from the top. Most Chinese corporations are structured in this manner, which often results in a more drawn-out procedure. "In one deal, there were more hidden barriers than they let us know about in the negotiation phase," says Michael Fusselbaugh, senior vice president of international insurance for Hartford Steam Boiler, a subsidiary of AIG. "We went through 18 months of meetings, before we found out that internal issues had changed things. Ultimately, opening a program wasn't even a viable option."

When doing business in the United States, the direct approach is usually seen as the best and most honest approach, but this is not the case everywhere. "In Japan, for example, when you are indirect you are rewarded and seen as a polite person," says Hodge. "In the United States, you're generally looked at as dishonest."

Thus, Americans are used to saying exactly what is on their minds in business meetings so they can reach common ground with the other party and then iron out the differences. But such a direct approach is not necessarily the norm across the globe. "In America, a meeting is seen as a place

to solve problems but in China or Japan a meeting is only looked at as a chance to exchange information," says Foster. "No decision will usually be made until later."

When doing business in much of Europe, this exchange of information is especially important as well. French, German and British companies, in particular, require much more information before the decision-making ever begins than most American businesses.

However, the same information may not help to secure a deal in all three countries, according to Foster.

In general, the French want to see that a perfect intellectual process has been logically organized and designed, where as in Germany, the most important thing is a provable method. "The Germans have a need to know that you can prove that what you're proposing can work in the practical world," says Foster. The British thinking here is closely

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related to that of Germany, but it is generally not enough to simply show that it could work. In any proposal, the idea of historical precedent should be shown to prove that the idea not only could work but that, in the past, it has worked.

Americans generally tend to try to establish an informal relationship quickly and get past the formality of

business dealings. They prefer addressing others by their first names and do not stress the use or importance of titles. In other parts of the world, such as Asia, Latin America and the Middle East, formality is prioritized and strictly maintained. Until told otherwise, it is always best to address business partners formally and defer to executives.

In many Asian and South American nations, informal interactions should be reserved for social events such as dinner or a night on the town. These informal relations should not be extended to the boardroom, however, as it is essential that titles and the hierarchical process be maintained in business.

Another way that companies can run into problems abroad is in knowing who to send for negotiations. Many managers elect to send employees that are the same ethnicity of the people they will be doing business with, but while there are positive aspects to consider, such as language fluency and better knowledge of customs, there can also be negative consequences to consider.

In certain regions, these positive aspects may help make the deal, but in China, among other places, this strategy often backfires. In China, and other hierarchical societies, the representative may be seen as little more than a glorified translator, not a decision-maker. In some cases, the team of representatives may be led by a Chinese-American, but the other "traditional" American members of the team will be viewed as the authorities.

All in all, conducting international business is a market-expanding venture that can take a corporation to the next level in global commerce. If the company's resources and means allow this possibility, then this step should by all means be taken. Like most things, however, along with opportunity comes the potential for danger.

And while losing a single deal is usually more of a setback than a disaster, the frustration can have residual effects throughout the company. With proper education and preparation even the smallest setbacks can usually be avoided, and prosperous relations can be established across the globe. *RM*

Jared Wade is RM's associate editor.

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