Barbara Wietasch

Global Management: Dancing with Icebergs

How to get along in multicultural business -
Why you need more than an etiquette guide

WITH CARTOONS FROM DIRK MEISSNER

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Introduction

"People do not stumble over mountains, but over molehills."
(Confucius, Chinese philosopher, 551–479 BC)

"Dancing with Icebergs"? What is that? I am glad that your curiosity led you to pick up this book. It contains the experience of three decades of international management, the result of many years of consulting and training as well as a series of interviews with managers from various industries around the world. Global business today is not just a Bavarian setting up a subsidiary in China or a Viennese sent to the American headquarters. It is also about a German department head who manages a Russian subsidiary based in Germany or engineers in the Small and Medium Sized Enterprise (SME) sector more who integrate colleagues from India into their team. What initially appears to be a simple matter of good organization and following a few tips from an international business etiquette guide actually turns out to be quite difficult in practice. Beneath the surface of the visible and at first glance, often quite similar ways of doing business lurks a myriad of different belief systems, culturally determined attitudes and opinions that determine the way we think and our subsequent actions. It's like the iceberg where 90 percent of its volume is below the water. A successful manager facing this complex challenge must lead the icebergs to dance. How this is done is the key focus of this book.

It is my sincere wish that you enjoy the book. Now let's dive into the world of intercultural business!

Yours truly, Barbara Wietasch

1   Going global: How to succeed in International Business!

"We don't see things as they are, We see things as we are"..
Anaïs Nin (French-American writer, 1903–1977)

I am in the lobby of a Five-star business hotel, travelling as a consultant with top managers from the Saudi Arabian Ministry of Tourism. We are on a tour of German luxury hotels to learn about quality management processes, and to adapt them to standards that are suitable for Saudi Arabian guests. We travel as 'mystery guests'. My customers are dressed in Western clothing. The receptionist, a young woman, collects the necessary check-in information from all the guests, making photocopies of passports and scanning credit cards. When this procedure is completed, she announces that our rooms are actually not yet ready! This causes quite a stir amongst our group of mystery guests. One of the Arabian men explodes with anger, and to be honest, I was relieved that he didn`t have a gun with him. From this Arab man's cultural perspective, the check-in receptionist had violated his privacy and ignored the hierarchy and the respect that he feels he deserves and what is afforded him in his home country.

Another scene: A Western European construction company is very active in the Arab world as well as in South Eastern Europe. When recruiting for subsidiaries in partner countries, the company makes use of Human Resource policies and tools that work in the Western offices. However when the company uses assessment tests in Russia to

determine the best candidates for leadership positions, the Human Resources Manager faces extreme resistance. The employees do not want to be interrogated! The communist dictatorship and intrusive control of the state over people's private lives is over!

Third scene: An Austrian Company enters a joint venture with a French company to build a highway in Hungary. The business language for this project is to be English. Just before the Austrian project manager starts his job, he is warned by experienced colleagues to be careful when revealing confidential information; he should be aware that his French partners speak German. Although the French partners had not uttered a single word in German during the entire project, when the project is finished, the French employees indeed bid "Auf Wiedersehen" using perfect German phrases.

Last scene: A Western automotive supplier works with a Russian partner. In the first few days of the project, the German General Manager asks his Russian assistant to put together some facts and figures that are relevant to the project and to create a report. The assistant nods and leaves the office. Actually, she does not understand what she is meant to do, and hence does nothing. Her boss gets annoyed with her sloppy work ethic and he starts to put pressure on her. The assistant feels that she is being treated unfairly. She did not receive clear and detailed instructions, which she would have had while working for Russian management, so how should she know what she is supposed to do?

About Values and Business Cards

Globalization has many faces: Germans invest in China, Russians buy Western companies, Arab hotel chains expand into European markets, European producers outsource to

emerging markets. A book such as this one can be written in Austria, graphically laid out in India and printed in the Czech Republic. The world economy of the 21st century is increasingly connected and intertwined. You see it at airports and in board rooms around the world; business men and women wearing the same cut of suit, carrying the same luggage and boasting the same international MBAs. Upon first glance, the Arab, the Indian and the German managers, who all open their laptops next to each other on the airplane, seem strikingly similar. They speak the same business language, use the same presentation software, and flash the same smart phones. The business world seems to be fluidly international.
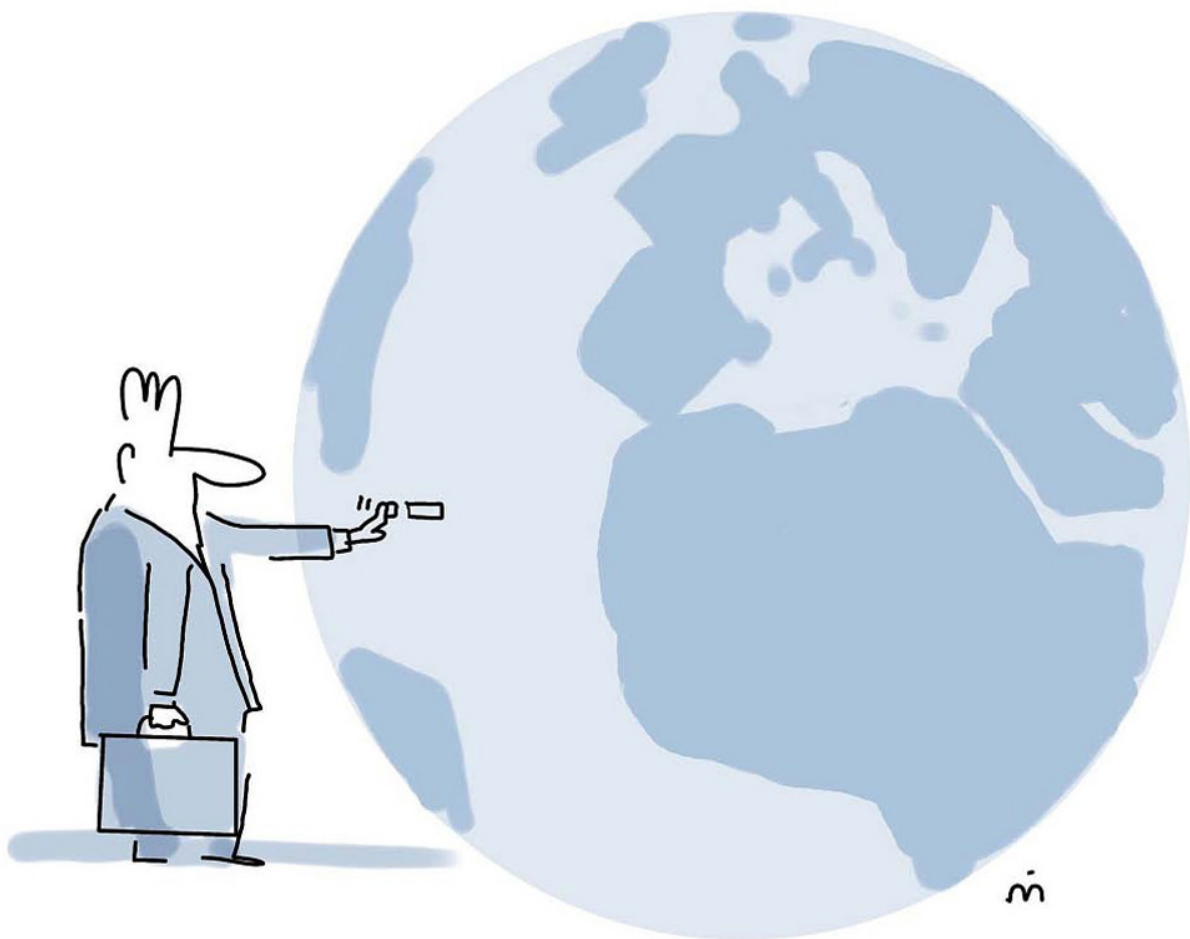
But appearances can be misleading. Like an iceberg, the really relevant parts lie below the surface of the water. This is where we find values and attitudes, fears and insecurities, unspoken expectations, and the knowledge and experience that controls our thoughts and actions, none of which is openly discussed. Hence when these values, attitudes and expectations clash, it can be both frustrating and unexpected. There is no real 'global business culture', even if the meeting rooms in Moscow, Stockholm, Shanghai and Istanbul are furnished the same and the managers and executives meeting there have so much in common.

Due to these differences and hence misunderstandings, the "Welt AG" or "World Inc." has failed. Former Daimler CEO Juergen Schrempp once dreamed of such a global corporation and tried to merge the Swabisch Group with the U.S. brand Chrysler and Japan's Mitsubishi Corporation. In early 2001, as it became clear what a financial fiasco this was, two 'Spiegel' magazine journalists travelled to Tokyo, Detroit and Sindelfingen. During an interview with top managers, engineers, and marketing and sales people, they encountered a somewhat diplomatic skepticism, linked with the hope that the other cultures would gradually understand how the development, production and sale of automobiles really work. "The global corporation is in fact a three-world-corporation. It does not reduce the barriers between the cultures, but rather reinforces them as clichés," wrote Dietmar Hawranek and Dirk Kurbjuweit. Further, they continued with, "*Those who become global, often become more national in outlook and frequently look for cultural differences. When we face something new, or are confronted with an unknown situation, our core identity becomes much more important to us*"[1]. Perhaps you remember your first business trip to Mumbai or Madrid, Guangzhou or Genoa. Have you ever felt the cultural bond to your homeland more intensely?

When it is assumed that everything is just like home because the partner in Shanghai has seen the same movies, prefers the same designer brands and possesses the same iPhone, there is a great risk of falling into the so-called 'similarity trap'[2]. This is further exaggerated when we are under pressure to succeed in a foreign environment. It wouldn't be fair to say that upper level management is completely *indifferent* to the cultural differences around the world. However, these differences are often reduced to nothing more than habits and customs. In Japan, you present business cards with both hands and receive them with both hands. You smile away differences of opinion and you need to tag along and sing your heart out at karaoke bars. In the U.S., you are almost immediately on a first-name basis with project partners, with whom you may feel quite chummy, however the boss is still the boss. You negotiate directly, and during business lunches, you combine pleasure with business related issues.

It is not difficult to find relevant information on international business etiquette. There are guidebooks and manuals and top-10-etiquette tips for almost any region where you would want to do business in. Often the preparation for an international assignment is limited to skimming through a guidebook during the flight to the final destination. The goal here is not to undermine the quality of these books; on the contrary, it is highly recommended that, in order to make a good first impression, you inform yourself about cultural and behavioral norms in the new environment. However, basic knowledge about cultural customs and courtesies, and using the right business card in a correct way, does not really help in conflict situations that arise due to Japanese principles of seniority or Americans who are irritated by the German preference for high technology, when they know the domestic automotive industry requires comfort, convenient can holders and a good price at the dealers. A guidebook

does not provide long-term support for international cooperation because it focuses on the visible part of the iceberg, and therefore does not provide insights on activities below the surface. It may well provide information about the desire many Asians have for harmony or the concept of management in the U.S.A., however, what is written on these subjects often remains somewhat abstract, and as the plane taxis down the runway, most of the tips and tricks for survival have already been forgotten.

"The Chinese are just not there yet"

Simply knowing the right etiquette is not enough to survive in the international market place. The centers of power in the global economy are slowly changing. Consequently, the way in which international business can be successfully conducted is also changing. Not everyone has yet understood this fact. For example, I held a workshop for the employees of a large automotive supplier that was working in China. We had amassed all sorts of problems – broken promises, misunderstandings, delays, and so forth – and continued to do so until one of the workshop participants sighed with resignation and said,

"T*he Chinese are just not there yet*."

"*Where are they going?*" I asked.

"*Yes, well…not so complicated…*" was his response.

"They should s*ay what they mean,*" says a second participant of the workshop.

"*Efficiency*", demands another. When I asked why the Chinese people should change their way of doing things, the workshop participants were speechless. They were positively dumbfounded when they realized that the Chinese nation, with a population of 1.3 billion, and well on

their way to becoming the world's leading economic power, are not going to do us the favor of changing their culture to accommodate our preferences! Asia expert Hanne Seelmann-Holzmann speaks of a *"power shift in the world economy"*[3], and the figures speak for themselves.

According to the Financial Times, three of the four leading global economic powers will be situated in Asia within the next 25 years and three out of four of the world´s largest banks are already Chinese[4]. A survey commissioned by the German Chamber of Commerce in 2010 found that China is the number one country for foreign investments by large-scale German enterprises (with 1000 employees or more). Medium-sized businesses (with up to 500 employees) rank China as second behind the EU as a desired location for foreign investment. The rest of Asia ranks fourth and fifth as investment targets for both, large and medium-sized businesses.

This means that 49% of large-scale German firms and 29% of German medium-sized enterprises plan foreign investments in China, while respectively 31% and 21% plan to invest in the remaining Asian market. Thus Asia is the most important area in which to invest, ahead of North America and Eastern Europe[5].

For many German businesses, it is of vital importance to work successfully with China. According to stock market expert Jim Rogers, it is beyond doubt that the center of power will shift. *"The 19th century was dominated by the British Empire, the 20th century was dominated by the Americans. In the 21st century, China is positioned to become the world's greatest economic nation state."*[6]. And it's not just in China where people are striving for greater prosperity, but also for example, in India. With a total population of more than 1 billion, India has over 300 million people who are comfortably middle class, and that figure is

steadily increasing[7]. Like countless numbers of Chinese, Indians are working hard at social mobility. *India has more honor students than the total number of kids living in the U.S.*[8], is just one of the fascinating facts presented in 'Did you know', a short video about the progression of information technology, made by American educator Karl Fisch. It leaves no room for doubt that the world is drastically changing. It is unfortunately beyond the scope of this book to discuss the economic prospects of the other BRIC-countries (**B**razil, **R**ussia, **I**ndia and **C**hina).

The increasingly important role of these countries in international economics is raising their self-confidence. Here are a couple of examples. In 2008, former UN Ambassador for Singapore and professor of political science, Kishore Mahbubani, was asked by 'Spiegel' magazine about democracy and human rights. His response was, ultimately, that the time of indoctrination is over. In Spiegel, he is quoted as saying, *"There was an abnormal era during which the West dominated, colonialized and controlled the world. This era is over now. Definitely over! Stop telling us how we should run our society"*. And in August 2011, the Chinese Vice- Foreign Minister Fu Ying told the world, *"Even if you believe you won the Cold War, it's over now. This is a new world. Forget the idea of being number one in the world. Look us in the eye when you talk with us."*[9] For Westerners, both the language and the tone are atypical, and even shocking, given the source. In his book, 'The Return of Asia: The End of Western Domination' (2008), Mahbubani emphasized that in the future, the 12% of the global population living in the West will no longer be able to dictate to the remaining 88% of the world how they should live. So why should China adopt Western ideas regarding management? Perhaps we need to reverse the hypothesis. Perhaps it is not the Chinese, but rather we who have the problem working with foreign cultures!

For most people, the concept of globalization is inseparable from the export of Western goods, values and management models. The hope is that China, India and innumerable other rapidly emerging countries will one day understand our ways of thinking, and through increasing economic prosperity, democracy will naturally replace authoritarian regimes. When the Chinese Prime Minister visited Germany in June 2011, the German Foreign Minister Guido Westerwelle was asked, on the evening news no less, if Germany can cooperate with countries whose values and norms are so vastly different, particularly given that it is very much in our interest to do so, he referred to it as *"Change through Trade"*. Sociologists refer to the phenomenon as 'ethnocentrism', the belief that one's own values and national culture are the normative baseline for standard behavior. Professor Mahbubani calls it a *"double standard",* and rightly claims that a diverse and multi-ethnic nation like China, with a very long and vast history and culture of its own, would and should determine its own pace of social reform. Mahbubani accused the West of having selective vision with respect to issues like human rights and, within this context, deliberately made a point of reference to Guantanamo Bay.

Globalization is complex and the rules for international economic cooperation have become much more complicated. *"Medium-sized German companies like to think that they are already global in scale if they export to several countries. This is a mistake and, in the medium-term, the surest road to failure"*, says Gunter Denk, co-author of 'Asia for Professionals'[10]. In a multipolar international economy, global management no longer means simply exporting finished goods into foreign markets, or exploiting cheap labor in emerging markets, all the while claiming that production and quality standards are consistent with the regulatory standards of the home office. If Germany wants

to maintain its position as a leading global exporter, it will need a stronger local presence in target markets and a better understanding of their business partners.

China established itself as the world's top exporter in 2009. Whoever wants to do business in this economic powerhouse is obligated by the Chinese government to work with local suppliers and businesses. Whoever wants continuing success in emerging markets needs to tailor their products and marketing strategy to satisfy local customer preferences. And whoever wants a bigger slice of the international projects pie is increasingly required to work with a number of different partners from various cultural backgrounds. There is a need for mutual cooperation, with partners who respect each other as genuine equals, as opposed to imposing one-sided methods on the 'export' partner. Unfortunately, the reality is rather different. Cooperation between Europeans and Asians is just one example. The difficulties that the U.S. supermarket chain Wal-Mart had with German labor laws, German work habits and consumer preferences, or the reports of the struggle for power between top managers of the German-French Airbus consortium demonstrate how conflict-laden multinational cooperation can be.[11] In "Smart Globalizing", a research study on international cooperation conducted by the University of Luneburg in Sweden, it was found that 80% of all international projects fail.[12] Why is this the case?

The Dance with Icebergs

Global management has become a part of everyday life. Approximately 1,5 million managers worldwide, commonly known as expatriates or expats, are working outside their home country. According to a 2010 Mercer International Assignments Survey, the number of expat assignments increased by 4% in 2008/2009, despite the global recession.

According to a survey by *PriceWaterhouseCoopers*, 10% of German organizations that are internationally active send more than 500 employees abroad. And every company is looking for the best way to do it. In a Mercer study that surveyed 220 multinational organizations, it was found that nine out of ten of these companies are either actively revising or indeed planning to revise their policy regarding the posting of their employees abroad. In order to save costs, married employees are more frequently being sent abroad without their families. Furthermore, the number of short stays abroad and commuting posts where the expatriate is on assignment during the week and returns home for weekend are increasing. Technical knowhow is the most common reason for sending an employee abroad[13]. A German engineer sent to optimize production processes in Mexico is a typical example.

In our own study titled "Management & Leadership across the Board: Performance Driver International Dynamics!" Wietasch & Partner wanted to find out how expats are prepared for their assignments abroad. We interviewed 150 managers and Human Resource (HR) professionals in upper and mid-level management positions throughout 2009. All interviewees work for companies that are operating internationally, from Mexico to Russia and from Slovakia to Spain[14]. Respondents were asked what they thought was important for expat assignments, allowing for multiple answers:

Not even half of the managers considered a working knowledge of the local language of the respective country necessary. Only one-third thought that experience gained while working in multicultural teams was essential for expat postings, and less than a quarter considered experience in the respective country and familiarity with its culture as a requirement.

Throwing employees into the cold cultural water of a foreign assignment seems to be more the rule rather than the exception, despite the fact that higher costs per employee are incurred. In addition to inadequate preparation, the following aspects play an important role when determining the cause of failed international projects, from individual international assignments to joint ventures:
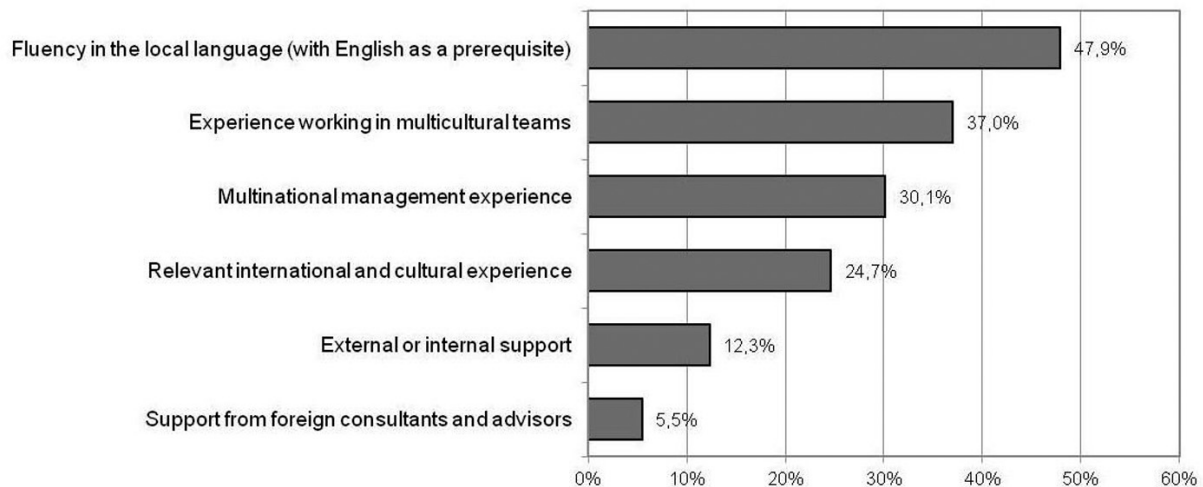
- Culture is simply not considered as a variable for the success of the project (see DaimlerChrysler)
- Processes and procedures from headquarters are imposed upon the foreign partners (think of the German manager with the Russian assistant who did not understand her need for clear and precise instructions)
- Behavior within the intercultural context is not analyzed (think of French partners who were fluent in German, but would not actually speak German for the duration of the project)
- Foreign trade offices do not provide international companies with the support they would need locally (such as practical help with building site analysis or bank contacts)
- Successes and failures are not analyzed with the intent of creating lessons learned and developing best practice

methods
- A budget for intercultural consulting, such as process optimization, conflict management, and individual coaching, is not available
- Insufficient international HR strategies, such as employee recruitment, management tools and training for cross-cultural teams (think of the resistance against personality tests in Russia)
- Human Resource (HR) managers are not sufficiently involved in international strategies
- Video conferencing, webinars, and teleconferences are used worldwide for meetings and training sessions, without actually testing the required language proficiency of participants.

Intercultural differences are often regarded as nothing more than a "luxury problem" or "soft factors" of lesser importance, and therefore not worthy of serious attention. But business is really about people and between people. When international teams are not able to establish a mutual understanding of one another, and thus are unable to lay a solid foundation upon which they can effectively work together, when misunderstandings lead to conflict, and conflicts escalate, then suddenly the 'hard factors', the facts and the figures, no longer matter. Why? It leads us directly to another fundamental question, which is, what causes human behavior? Why do people behave and act as they do, and why do different companies have different corporate values?

Robert Dilts, a well-known leader in the field of Neuro-Linguistic Programming (NLP), is responsible for the creation of the "logical levels" model, an attempt to systematically order the causes of human behavior. In his descriptive model, Dilts identifies six 'logical levels' that regulate change and learning. They are, from top to bottom, the level

of 'Spirituality' or connectedness (also: mission), below which is 'Identity' (selfperception), then the level of "Values", then "Beliefs", followed by "Skills" (capabilities) and finally the level of "Behavior" that in turn is based on "Environment". A change on a higher level results in direct, unavoidable changes upon the lower levels of logic. If these logical levels are ordered according to their perceptibility, what is clearly visible and what is unseen, then the following model evolves:

***Behavior*:** The behavior of an individual is the only thing apparent to the observer. We hear what they say and how it is expressed, we see their facial expressions and gestures, and we see what they do. This behavior is embedded in a specific environment or given context, which similarly can be observed e.g. in a meeting at a certain time of the day, at a specific location within a certain cultural framework. We can see someone who is permanently smiling and laughing, or someone who remains imperturbably silent, or someone who dominates and seemingly controls the entire conversation. Yet the motivation for such actions remains imperceptible, hidden below the surface of the water. A Chinese colleague may be laughing for very different reasons than his Czech colleague seated next to him.

***Capabilities*:** What we can do, what we think and feel and our awareness of our own capabilities determine our behavior. How comfortable do you feel speaking a foreign language? How well versed are you on the discussion topic? How much experience do you have working internationally? And how good are you in the art of rhetoric? Many of our capabilities remain only partly visible to the outside observer.

We can, however, make an educated guess as to an individual's prowess in a given area. When a Thai business partner repeatedly nods and says 'Yes' during an English

negotiation, we are inclined to think that he agrees with our proposals and, as such, a final agreement can be made. However, it can also be the case that our Thai negotiator does not understand what we are saying, that he cannot follow the discussion due to a lack of English language proficiency and is simply nodding his way through the meeting to avoid public humiliation. What is likely to follow such a situation is nothing. The proposed venture will fall, literally off his desk. It is noteworthy to mention that in some cultures, nodding up and down actually symbolizes disagreement.
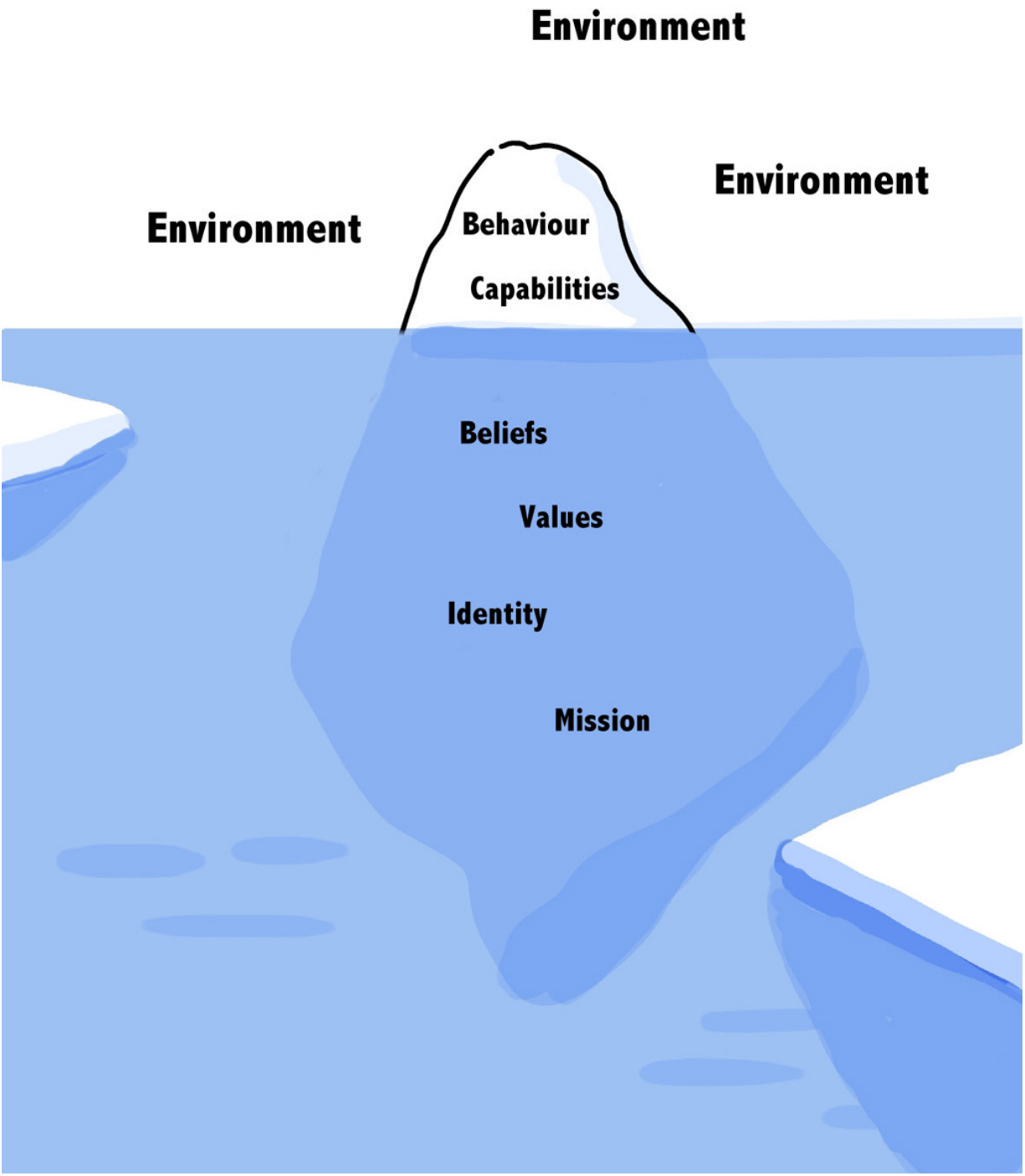
The iceberg of human behavior (based on Dilts 1980)[15]

Values and beliefs: Even further under the water's surface lies the individual's values and beliefs, that is to say, their

idea of what is morally right and wrong, how one should behave, and things like what really counts in life. Is harmonious cooperation more or less important than honest and direct communication? Is punctuality and structured planning more important than flexibility and spontaneity? Does family always come first, or do work and career take top spot? Value systems are heavily influenced by culture. The 'cultural-dimension', which will be discussed in greater detail in the next chapter, is an attempt to categorize cultural differences into a mana-geable number of dimensions, such as the contrast between collectivism and individualism or masculinity and femininity. This categorization, of course, relies on cultural stereotypes, and there are always exceptions to a general national characteristic. Not all Germans, for example, are exacting and punctual, and there are even some Americans who are quiet and introverted. Cultural dimensions describe tendencies. The difference in value systems can often explain puzzling, surprising, or seemingly incomprehensible behavior of business partners. This would explain, for example, the unexpected resignation of a top programmer with a mid-sized German IT company. His manager was flabbergasted that the young Indian, who was socially integrated, had gained permanent residence status in Germany and had excellent career prospects, would choose to leave such an ideal set-up. However, the programmer's family had arranged a marriage for him in India. His duty to his family, therefore, superseded any loyalty he might have had to his employer.

Identity: Identity refers to a person's self-perception, a sense of who we are and what we think about us and our own abilities. Who am I? How do I see myself? Am I a self-confident 'doer'? Am I a leader? Do I know how things work, and can I delegate accordingly? Am I extroverted or am I rather more introverted? Do I know my own strengths and

weaknesses? In the same way that the internalization of core cultural values are influenced by childhood experiences, socialization and education, they also play a decisive role in the formation of an individual's identity.

***Spirituality*:** Spirituality refers to the connection with something that is beyond the physical world. Spiritual belief systems and religion fall under this rubric as well as social units such as the family, or socially constructed units such as a company or a country. Do I feel that I belong to the team or to the company? The Chinese, for example, feel utmost responsibility first to family and former colleagues, and only then, much further below in hierarchy, toward the company. This of course influences their thinking and behavior. The local Managing Director of a foreign subsidiary in China will demonstrate clear favoritism in appointing family members and previous work colleagues when recruiting for lucrative positions, something that is perceived more as nepotism by indignant Western superiors. From the perspective of the Chinese manager, however, he is simply following the Chinese tradition of loyalty and furthermore, acting in the best interest of the company by surrounding himself with a team whom he knows and whom he can trust. In Austria, it is also fairly common that managers use their personal networks, often developed during university, to develop teams. In English parlance, it is often referred to as cronyism or the 'old boys' network'. Personal relationships and business relationships are not entirely separate.

Nepotism is a good example of the way in which our perception and behavior is intrinsically based on our own cultural framework. 'Culture' is here understood in the terms laid out by the anthropologists Florence Kluckhohn and Fred Strodtbeck, who state that culture is the *"entirety of the fundamental assumptions, values, norms, attitudes and convictions of a social unit"*.[16] We view the world through a

culturally determined framework that is so internalized, and we are seldom aware that our own culture creates within us a bias. This is made clear in the anecdotes told by an early Christian missionary in Africa, who, shocked by what he saw, attempted to instruct the indigenous population to not run around naked because in Europe, people only show their faces. The natives' answer was simple: *"For us, everything is the face"*.

Even if it sounds outlandish, similar examples abound. There is the engineer who spends most of his project days trying to convert his South American team into punctual Germans, or the manager in China who is trying to replace the complex web of personal business and supplier relationships with fair competition and calls for tender. In the 21st century, success in business will depend on the ability to understand the cultural dimension and the ability to understand differing perspectives. *"If you want to do business abroad, you must be able to accept that things are different. Not better, not worse, just different. Not everybody is born with this ability. However, most people are more than capable of learning how to do it"*, says Ullrich Gunther, University of Luneburg-based economic psychologist.[17]

The first step towards cultural understanding is acknowledging that every individual represents an iceberg. On the surface, we can see and evaluate their behavior and actions. Below the surface are their invisible capabilities, values and attitudes. With every encounter between project partners, there is the danger that the submerged parts of each individual's iceberg will crash under the surface of the water. The more alien a culture is, the greater is the difference in world outlook, and the less one is able to understand the iceberg below the water line. And here is where the real risk is; it is much more likely that assumed behavioral similarities are in fact quite false. Similarities in

behavior and the usual rituals of the global business world are often misunderstood as representing much more cultural commonality than what is really the case. And with that, the risk of a collision increases.

A cultural clash can be avoided if you are able to look beneath the surface of the water early in the relationship, if you can familiarize yourself with the foreign culture in question and subsequently compare and contrast it with your own culture. A successful cooperation between people from different cultures becomes a dance with icebergs. The project partners from all different cultures must be aware of the rhythm to which they themselves dance, and recognize which values and attitudes they share. They must learn the rhythm of their colleagues, and even learn how to dance with them.