

## 3.3 Understanding How Culture Impacts Local Business Practices

### LEARNING OBJECTIVES

1. Identify the ways that culture can impact how we do business.
2. Understand the aspects of business most impacted by culture.

Professionals err when thinking that, in today's shrinking world, cultural differences are no longer significant. It's a common mistake to assume that people think alike just because they dress alike; it's also a mistake to assume that people think alike just because they are similar in their word choices in a business setting. Even in today's global world, there are wide cultural differences, and these differences influence how people do business. Culture impacts many things in business, including

- The pace of business;
- Business protocol—how to physically and verbally meet and interact;
- Decision making and negotiating;
- Managing employees and projects;
- Propensity for risk taking; and
- Marketing, sales, and distribution.

There are still many people around the world who think that business is just about core business principles and making money. They assume that issues like culture don't really matter. These issues do matter—in many ways. Even though people are focused on the bottom line, people do business with people they like, trust, and understand. Culture determines all of these key issues.

The opening case shows how a simple issue, such as local flavor preferences, can impact a billion-dollar company. The influence of cultural factors on business is extensive.

Culture impacts how employees are best managed based on their values and priorities. It also impacts the functional areas of marketing, sales, and distribution.

It can affect a company's analysis and decision on how best to enter a new market. Do they prefer a partner (tending toward uncertainty avoidance) so they do not have to worry about local practices or government relations? Or are they willing to set up a wholly owned unit to recoup the best financial prospects?

When you're dealing with people from another culture, you may find that their business practices, communication, and management styles are different from those to which you are accustomed. Understanding the culture of the people with whom you are dealing is important to successful business interactions and to accomplishing business objectives. For example, you'll need to understand

- How people communicate;
- How culture impacts how people view time and deadlines;
- How they are likely to ask questions or highlight problems;

- How people respond to management and authority;
- How people perceive verbal and physical communications; and
- How people make decisions.

To conduct business with people from other cultures, you must put aside preconceived notions and strive to learn about the culture of your counterpart. Often the greatest challenge is learning not to apply your own value system when judging people from other cultures. It is important to remember that there are no right or wrong ways to deal with other people—just different ways. Concepts like time and ethics are viewed differently from place to place, and the smart business professional will seek to understand the rationale underlying another culture’s concepts.

For younger and smaller companies, there’s no room for errors or delays—both of which may result from cultural misunderstandings and miscommunications. These miscues can and often do impact the bottom line.

## **Spotlight on Cultures and Entrepreneurship**

With global media reaching the corners of the earth, entrepreneurship has become increasingly popular as more people seek a way to exponentially increase their chances for success. Nevertheless, entrepreneurs can face challenges in starting to do business in nations whose cultures require introductions or place more value on large, prestigious, brand-name firms.

Conversely, entrepreneurs are often well equipped to negotiate global contracts or ventures. They are more likely to be flexible and creative in their approach and have less rigid constraints than their counterparts from more established companies. Each country has different constraints, including the terms of payment and regulations, and you will need to keep an open mind about how to achieve your objectives.

In reality, understanding cultural differences is important whether you’re selling to ethnic markets in your own home country or selling to new markets in different countries. Culture also impacts you if you’re sourcing from different countries, because culture impacts communications.

Your understanding of culture will affect your ability to enter a local market, develop and maintain business relationships, negotiate successful deals, conduct sales, conduct marketing and advertising campaigns, and engage in manufacturing and distribution. Too often, people send the wrong signals or receive the wrong messages; as a result, people get tangled in the cultural web. In fact, there are numerous instances in which deals would have been successfully completed if finalizing them had been based on business issues alone, but cultural miscommunications interfered. Just as you would conduct a technical or market analysis, you should also conduct a cultural analysis.

It’s critical to understand the history and politics of any country or region in which you work or with which you intend to deal. It is important to remember that each person considers his or her “sphere” or “world” the most important and that this attitude forms the basis of his or her individual perspective. We often forget that cultures are shaped by decades and centuries of experience and that ignoring cultural differences puts us at a disadvantage.

## Spotlight on Impact of Culture on Business in Latin America

The business culture of Latin America differs throughout the region. A lot has to do with the size of the country, the extent to which it has developed a modern industrial sector, and its openness to outside influences and the global economy.

Some of the major industrial and commercial centers embody a business culture that's highly sophisticated, international in outlook, and on a par with that in Europe or North America. They often have modern offices, businesspeople with strong business acumen, and international experience.

Outside the cities, business culture is likely to be much different as local conditions and local customs may begin to impact any interaction. Farther from the big cities, the infrastructure may become less reliable, forcing people to become highly innovative in navigating the challenges facing them and their businesses.

Generally speaking, several common themes permeate Latin American business culture. Businesses typically are hierarchical in their structure, with decisions made from the top down. Developing trust and gaining respect in the business environment is all about forging and maintaining good relationships. This often includes quite a bit of socializing.

Another important factor influencing the business culture is the concept of time. In Latin America, "El tiempo es como el espacio." In other words, time is space. More often than not, situations take precedence over schedules. Many people unfamiliar with Latin American customs, especially those from highly time-conscious countries like the United States, Canada, and those in Northern Europe, can find the lack of punctuality and more fluid view of time frustrating. It's more useful to see the unhurried approach as an opportunity to develop good relations. This is a generalization, though, and in the megacities of Latin America, such as Mexico City, São Paulo, and Buenos Aires, time definitely equals money.

In most Latin American countries, old-world manners are still the rule, and an air of formality is expected in most business interactions and interpersonal relationships, especially when people are not well acquainted with one another. People in business are expected to dress conservatively and professionally and be polite at all times. Latin Americans are generally very physical and outgoing in their expressions and body language. They frequently stand closer to one another when talking than in many other cultures. They often touch, usually an arm, and even kiss women's cheeks on a first meeting.

In business and in social interactions, Latin America is overwhelmingly Catholic, which has had a deep impact on culture, values, architecture, and art. For many years and in many countries in the region, the Catholic Church had absolute power over all civil institutions, education, and law. However, today, the church and state are now officially separated in most countries, the practice of other religions is freely allowed, and Evangelical churches are growing rapidly. Throughout the region, particularly in Brazil, Indians and some black communities have integrated many of their own traditional rituals and practices with Christianity, primarily Catholicism, to produce hybrid forms of the religion.

Throughout Latin America, the family is still the most important social unit. Family celebrations are important, and there's a clear hierarchy within the family structure, with the head of the household generally being the oldest male—the father or grandfather. *In family-owned businesses, the patriarch, or on occasion matriarch, tends to retain the key decision-making roles.*

Despite the social and economic problems of the region, Latin Americans love life and value the small things that provide color, warmth, friendship, and a sense of community. Whether it's sitting in a café chatting, passing a few hours in the town square, or dining out at a neighborhood restaurant, Latin Americans take time to live.

From Mexico City to Buenos Aires—whether in business or as a part of the vibrant society—the history and culture of Latin America continues to have deep and meaningful impact on people throughout Latin America. *CultureQuest Doing Business: Latin America* (New York: Atma Global, 2011).

## KEY TAKEAWAYS

- Professionals often err when they think that in today's shrinking world, cultural differences no longer pertain. People mistakenly assume that others think alike just because they dress alike and even sound similar in their choice of words in a business setting. Even in today's global world, there are wide cultural differences and these differences influence how people do business. Culture impacts many elements of business, including the following:
  - the pace of business
  - business protocol—how to physically and verbally meet and interact
  - decision making and negotiating
  - managing employees and projects
  - propensity for risk taking
  - marketing, sales, and distribution
- When you're dealing with people from another culture, you may find that their business practices and communication and management styles are different from what you are accustomed to. Understanding the culture of the people you are dealing with is important to successful business interactions as well as to accomplishing business objectives. For example, you'll need to understand the following:
  - how people communicate
  - how culture impacts how people view time and deadlines
  - how people are likely to ask questions or highlight problems
  - how people respond to management and authority
  - how people perceive verbal and physical communications
  - how people make decisions

## EXERCISES

(AACSB: Reflective Thinking, Analytical Skills)

1. How does culture impact business?
2. What are three steps to keep in mind if you are evaluating a business opportunity in a culture or country that is new to you?
3. If you are working for a small or entrepreneurial company, what are some of the challenges you may face when trying to do business in a new country? What are some advantages?

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[← Previous Section](#)

[↑ Table of Contents](#)

[Next Section →](#)