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To do business worldwide it isn't enough just to understand and apply a universal business model. You also have to understand the culture of the people you are dealing with.

We are in a light engineering company in central England. As you walk through its comfortable, purpose-built offices on an industrial estate on the outskirts of the city, designers work on-screen, creating products that will improve travellers' safety and comfort. The business, as its sales director cheerfully admits, is into rubber. The firm's trademark rubber fittings ensure that the moving parts of trains, boats and planes, and many other forms of transport, run smoothly, giving passengers an easier ride. Trains on the Indian Railways network, ferries in the Baltic Sea and Boeing and Airbus aircraft, all benefit from their work. The company's headquarters are in Sweden, but it has around 100 plants in 40 countries, and it sources rubber from agents in India, China and other countries in South East Asia.

Gary, an Englishman in his thirties, is the firm's purchasing manager, responsible for ensuring a supply of rubber to the factory. This is done through local agents, who liaise with rubber plantations. He's negotiating with Indians, Chinese, Malaysians and Thais, and he knows that it's not just about computerized product specifications and emailed draft contracts, backed up with a few phone calls. He needs to meet his overseas suppliers face to face. "Until I meet them, I don't know if we speak the same business language," Gary says. "Do they understand what I understand about product specification? Do they understand the need for exactness in what we do? Do they appreciate the importance of on-time delivery so that we can complete our side of the bargain with our clients?"

This is why we are in the Midlands: to advise the company on how its suppliers see the business world, what the suppliers' concerns are and what the company needs to do to get the best out of them. It's called cross-cultural training, and it's become a key management tool in the globalized business community.

Richard, the head of manufacturing, is interviewing us. Are we suitable for his needs? We're here to talk about India, which is predicted by the bankers Goldman Sachs to be the world's third largest economy by 2050. Can we tell him how to get the best results from his Indian suppliers? Can we advise him how not to offend people and how to ensure that the company builds good relations with its Indian customers? Indian Railways is one of the world's biggest employers – it has a workforce of 1.5 million – and is a vital client. "It's sometimes like a war out there," Richard says. "You're just trying to do your job, but it seems like everybody is doing their own thing in their own way. What I need to know is, what are the rules of engagement?"

You may worry about his military analogy, but in global selling and purchasing, a battlefield is very often what it feels like for the people involved. In military language, the rules of engagement describe the conditions under which it is acceptable to open fire against the enemy in war. Culture isn't war, but it engenders the same kind of tension about the right way to proceed to get results. Doing business internationally often seems like you're moving in a fog: people can be late or miss appointments altogether, don't do what they say they will when they say they will, and have to be constantly chased up. For busy managers it feels like an irritating and inefficient waste of time. But for Ian, the sales director, it's literally part of the day's work. An experienced hand on every continent, he's sat in more waiting rooms for more hours than he cares to count. The secret for him is knowing 'when to pounce' and to do that, he says, you have to know the culture. In Sweden, where the parent firm is based, business is clear, planned and organized. You sign the contract, you complete the task to the required specification and you get paid within due dates. But in most of the countries where he works, Ian says that you have to 'feel the people, as it were'. You must build good relationships, sometimes before you do any business. For him, understanding his clients' culture is perhaps his key triumph in a thirty-year career. He knows in depth how the system works.

To do business worldwide it isn't enough to apply a one-style-fits-all universal business model. You also have to empathize with a country's culture. This means understanding how your clients and suppliers see and do business, and recognizing that their processes may be very different to yours. Luckily, there is now enough research and information on the subject that, if you do your homework, you won't need thirty years to master the cultural rules of engagement.

Understanding a culture too often becomes something you do after the event, when your relationship with a client has broken down. But that's shutting the stable door after the horse has bolted.

Failure to relate to another culture can lead to business disaster. At a conference of the Chartered Institute of Personnel and Development in Harrogate in the north of England, we asked the director of an international relocation firm at what point in a negotiation companies consider their partners' business culture. His reply was chilling: "When the project's crashed and they can't find any other reason for it." Cultural awareness too often becomes something you do after the event: shutting the stable door after the horse has bolted.

In the international automotive business there have been spectacular examples of business merger failures, epitomized by the Daimler-Benz sale of the American company Chrysler in 2007 after an unhappy nine-year union between the two organizations. London's *Financial Times* said of the break-up: "The 'merger of equals' was never really that, and early decisions were driven by politics rather than commercial reality. Many of Daimler's German managers seemed reluctant to see the makers of Mercedes associate with the makers of Dodge."

That failure to achieve cultural understanding proved expensive: the price paid by the new owners Cerberus, a venture capital group, was a fifth of the $35bn paid by Daimler back in 1998. But there have also been successful international mergers in the automotive world, notably Renault's turnaround of Nissan in Japan. This is mainly attributed to Carlos Ghosn, the head of Renault, who guided the revival of Nissan and has now achieved celebrity status in Japan. Ghosn was born in Brazil to Lebanese parents, and graduated with engineering degrees from the École Polytechnique in France. He worked in the USA, South America and France before masterminding the Renault-Nissan fusion, and his vast experience of different cultures undoubtedly contributes to the business judgements he makes. Successful international business depends increasingly on getting the cultural chemistry right as well as the financial plan and the due diligence process.

You might think that it's appropriate to talk about cultural differences when you're dealing with distant parts of the world, but surely not with our neighbours in say, France, Germany or the Netherlands. We were once talking to the sales director of an engineering firm in Kent in the south of England. "Of course we don't have cultural problems," he insisted. At that moment his PA told him that his Dutch representative was on the line. "Oh, I don't want to talk to him now," he exploded. "He's always so bloody rude!" The director clearly hadn't recognized the Dutch cultural preference for outspokenness and calling a spade a spade. But maybe Dutch frankness is a quality that should be appreciated in the business world, and not something to get annoyed about.

John Mole is one of the most knowledgeable commentators on business in the European Union. After a career at the prestigious INSEAD management college in France, he wrote a number of successful books, of which the most famous is *Mind Your Manners*, a guide to European business cultures and etiquette. He warns: "Remember, the people whose faces are most like yours may conceal the greatest cultural differences." The problem lies in our expectations. We expect the Chinese and, to a lesser extent, the Indians to be different. We assume, often to our cost, that the Dutch, Germans and Americans will be the same.

The people whose faces are most like yours may conceal the greatest cultural differences.

Panasonic, JVC and Technics are among the brand names of the Matsushita Electric Industrial Company, based in Osaka, Japan, and named after its founder, Konosuke Matsushita. Matsushita has manufacturing plants and sales operations worldwide: it makes electronic components for avionics in France, Saudi Arabia, the UK and the USA, plasma TV screens in Central and Eastern Europe, and batteries, video recorders and computers in various countries. Although a firmly European Company, Matsushita sends Japanese managers overseas for up to five years or so before rotating them back home or transferring them to another country. Matsushita trains its managers how to live in Europe, and how to operate in global business cultures. Its native European managers also learn how best to work with one another across borders and, above all, how to cooperate with their Japanese colleagues and bosses. One of the things the Europeans learn is how to earn the trust of their Japanese managers. Trust is of inestimable importance in Japanese business: with it comes responsibility and freedom of action. Trust is built by hard work (putting in the hours, both in working time and afterwards), loyalty and availability (being around when needed). Above all, it means learning to be a good team player, which in individualistic Europe can be difficult.

Examples like these illustrate the importance of cultural awareness in today's business world, but they don't explain what that awareness is. Read books on the subject and you'll find a range of definitions from the academic to the gnomic. One of our favourite definitions is: "Culture is the software of the mind." In terms of the rules of engagement, culture is very simple, as it has only two components:

- Different ways of doing business;
- Different client expectations.

Different business communities do things in different ways. In my culture it may be more important to be polite than to tell it like it is, so I will always say yes and never say no. I will come across to you as at best wishy-washy and at worst as a liar. But your straight-talking policy will seem impolite and arrogant to me. This is not a good basis for a business relationship.

We may also have different expectations about one another. In my community it's important to build a good personal relationship. If I don't know you and like you, how can I work with you? So I need you to come and see me, to keep in regular contact, give me presents and be my friend. But you have a horrific schedule to keep, and you just want to finish the meeting and get on the plane home or to your next destination. You consider that relationships are time consuming, and time is money. I feel that you are not a good business partner for me as you don't understand the meaning of friendship. You believe that I am not a good business partner because I insist, as you see it, in putting pleasure before business and using up too much of your precious management time. My business expectation is for friendship. Yours is to get the job done as fast and as efficiently as possible.

The two definitions of the role of culture in business were neatly summed up by Chrysler, the US automotive firm, in this sentence: "Our culture is the way we view things and the way we do things round here." This is sometimes paraphrased as the 'view and do' theory of culture.

David Solomons is English, born and brought up in north London, where he now lives. His father ran a chain of grocery stores. David speaks English, Spanish, French and Hebrew and has lived in Barcelona, San Francisco, Avignon and Tel Aviv. He presented the cultural slot on BBC World Service Television's *Fast Track* travel programme. For David, doing business internationally is all about a change in perspective – a change of mindset, he calls it. All business people are trained to do a task well. They are promoted and sent abroad to perform that task as efficiently as they can. But all too often, they are frustrated by a series of unknowns – different attitudes to timekeeping, negotiating and decision-making – which have nothing to do with the business process they are used to. The answer is simple. Business managers need educating in a new way of thinking. They must add to their task-based skills a range of culture-based considerations. In our terms, they need to learn new rules of engagement.

> **Managers must add to their task-based skills a range of culture-based considerations.**

Learning new ways of thinking becomes even more important when we realize that many companies are having to relinquish control of parts of their manufacturing and service delivery processes. This is part of the accelerating movement known as globalization.

Thomas Friedman is the writer and *New York Times* journalist who has charted the progress of globalization and become one of its chief advocates. In two influential books, *The Lexus and the Olive Tree* and *The World is Flat,* he demonstrates in a series of eye-opening case studies how globalization has become not just an economic necessity for the developed world, but a road to regeneration for the developed and developing worlds alike. Globalization is a complicated and controversial concept, and has political and economic, as well as social and cultural ramifications. Let's explore what it means for the rules of engagement, and why it makes the understanding of other communities' business methods and expectations absolutely crucial. And let's take, as Friedman does, the case of India.

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India is in the forefront of the globalization movement, as it does considerable trade with the USA, the world's richest economy; the UK, the world's sixth largest economy; Australia; New Zealand; Canada, and anywhere else that English is spoken as a native language. What globalization means is that any part of a manufacturing or service process that can be done more cheaply in an overseas country, will be. Minute tasks, such as the transcribing of doctors' prescriptions, can be emailed to India, fed into a computer and sent for processing. Globalization as we understand it today is increasingly the product of international computer and telecommunications networks. We are most aware of it when we use a call centre based in India, but far more important is the huge back-office programming and data processing work handled largely by computing experts who do not need good spoken English.

A major insurance company is setting up a joint venture in India. We are training the board, the project team and operational staff to work with Indians. Personnel seconded from India are already working in the UK headquarters, but the contract hasn't been signed yet. At this stage everything is being done on trust and the board has had to accept the value of patience in negotiation. Equally, the British managers have had to learn that what they understand by design specification, quality, performance and delivery may not be perceived in the same way by their Indian partners. They have also realized that these matters cannot always be resolved by emails and teleconferences. India is ultimately a face-to-face culture, so managers frequently board planes to attend meetings to reiterate the rules of engagement and set in place ways of monitoring performance and establishing agreed service levels. All this is taking time, but the rewards will be great: a committed and highly qualified workforce is available for a third of the UK price. The insurance company is coming to terms with the cost of understanding and dealing with the workforce's culture because it sees the benefits of achieving synergy with Indian business practices.

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Many companies don't achieve this breakthrough, which is why overseas joint ventures and mergers and acquisitions so often fail. The key issue for companies is that in outsourcing, you are giving away part of the responsibility for management performance and customer service to people who may not recognize and share your values and management behaviour. It would be a huge and unacceptable risk not to find out about your new supplier's or client's management culture and values, and to assume that a one-size-fits-all international management style will work. Which is why international business without understanding local business culture is risky business.

> **International business without understanding local business culture is risky business.**

As a recent advertisment in *The Economist* pointed out: "Understanding culture is the power behind globalization."

The problem managers face, however, is – what culture? What is the best way to find out how to approach another culture? Is there a model we can use? The answer is yes, and how to unlock it is the subject of Chapter 2.

Conclusion

- Successful international business depends on getting the cultural chemistry right.
- Culture is about different ways of doing things and different client expectations in different business communities.
- Managers must understand a client's culture as well as the logistical requirements of the project in order to succeed in international business today.
- Globalization means putting part of your business in foreign hands.
- Not to understand your partner's business culture is risky and irresponsible.