

CHAPTER 1

Introduction

- The Role of Culture
- The Role of Communication
- Structure

CHAPTER 1

Introduction

Learn from the mistakes of others. You can't live long enough to make them all yourself.

Anonymous

The only constant in international business is change. Accompanying change is the possibility of unexpected events. Fortunately, some of these surprising occurrences prove to be advantageous to the multinational companies involved. For example, a U.S. firm selling feminine sanitary napkins in South America suddenly experienced a major surge in sales. The company was delighted, although a bit startled, when it discovered that the sales boost was prompted by local farmers buying the napkins to use as dust masks! No less surprised was a U.S. company which sold toothbrushes in South Vietnam during the late 1960s. It too experienced an unexpected increase in sales. Years later the company learned why—the Vietcong had purchased the toothbrushes to use for weapon cleaning.

Other firms have also encountered unexpected product marketability as a result of unplanned and often unimagined uses for their products. These surprises, although sometimes controversial, are normally welcomed by the “lucky” companies. For example, an unimagined use of a product occurred during the Persian Gulf War when news spread that the U.S. troops were using condoms to protect rifle barrels from sand. As a result the condom company's stock skyrocketed. However,

not all firms experience such good fortune. In fact, many surprises in international business are quite undesirable.

Sometimes companies are caught off guard by an unavoidable turn of events. Other times, though, they are unhappily surprised by outcomes that they could have avoided. A company is said to have “blundered” if it makes a decision resulting in a costly or embarrassing situation that was foreseeable and avoidable.

The foreign environment has been especially difficult for some to analyze. Many mistakes, for example, have been made because managers have failed to remember that consumers differ from country to country. Buyers, influenced by local economic constraints and by local values, attitudes, and tastes, differ in what they buy, why they buy, how they buy, when they buy, and where they buy. Managers who have failed to recognize these differences have committed a number of blunders.

The Role of Culture

Cultural differences are the most significant and troublesome variables encountered by the multinational company. The failure of managers to comprehend fully these disparities has led to most international business blunders. A European businessman, for example, while on an important negotiating trip to China, playfully flipped a piece of ice from his drink towards his companion. Unluckily for him, the ice accidentally landed on a nearby official and the businessman was soon sent packing. Another unlucky individual found himself home sooner than expected after he flippantly patted a waitress. The Chinese simply do not accept such foolishness—as many a playful visitor can attest.

Without fully understanding the local culture, trying to “do as the Romans do” can be a dangerous thing.

A former president of American Express, Japan, for example, learned this the hard way. On New Year's Day 1985, he was featured in a full-page ad in a photo of himself wearing a Japanese kimono. Apparently, no foreigner had done this before and it was suspected by many Japanese that it was intended as a joke to make fun of the local culture. Some even complained that it was an intentional attempt to humiliate the Japanese.

In 1983 Columbia Pictures produced a four-hour movie set in Egypt that resulted in the banning of all Columbia films in Egypt. The Egyptian authorities were offended by the numerous inaccuracies that included accent (Pakistani), clothing (Moroccan), and behavior (American). Nasser, for example, was portrayed publicly kissing his wife—an unacceptable act in Egypt and in many other countries.

Cultural differences often show up during ceremonies, such as in the case of a Toronto Blue Jays baseball game. The U.S. Marine color guard made the mistake of displaying the Canadian flag turned upside down, with the top of the red maple leaf pointed downward. As the scene was displayed on Canadian television, the Canadian switchboards lit up and Toronto newspapers were filled with viewer reactions to the obvious error.

During the groundbreaking ceremonies for Hitachi Ltd's subsidiary, Hitachi Automotive Products (USA), Inc., the Governor of Kentucky presented the Japanese executives with a flag of the Commonwealth of Kentucky. After opening the flag for all to see, the Japanese carelessly dragged it along the ground. In Japan (and in many other countries), flags are not treated with the same respect as they are in America. The Japanese really meant no disrespect; they simply were unaware of U.S. customs about flags. However, many in the audience, especially the older Americans, were offended.

We all know that some things are done differently by the people of other countries, but sometimes these differences are hard to embrace. Consider, for instance, what happened when a man from Tonga answered a neighbor's ad in the Salt Lake City newspaper. The neighbor wanted to sell his son's pony. When the neighbor asked the Tongan why he wanted to purchase the pony, the Tongan replied that he wanted it for his own son's birthday. The seller was satisfied with the reply so the deal was closed. Then before the seller's eyes, the Tongan casually turned, picked up a board, and clubbed the pony to death. The dead pony was tossed into the Tongan's truck and hauled home. When the police arrived, they found a huge birthday party in progress with many Tongans happily cooking the pony for a typical Tongan birthday dinner.

All nationalities possess unique characteristics that must be understood. For example, Arabs typically dislike deadlines. An Arab faced with a deadline tends to feel threatened and backed into a corner. Many Americans, on the other hand, try to expedite matters by setting deadlines. Hundreds of U.S.-owned radio sets are sitting untouched in Middle Eastern repair shops because some Americans made the cultural mistake of requesting that the work be completed by a certain time.

U.S. business managers have encountered similar problems trying to understand time values in other cultures. One U.S. company lost a major contract opportunity in Greece because its managers tried to impose U.S. customs on the Greek negotiators. Besides being too forthright and outspoken in the eyes of the Greeks, the Americans tried to set time limits for the meetings. The Greeks, however, considered time limits insulting and thus felt that the Americans showed a lack of finesse. The Americans also wanted the Greeks to first agree to principles and then allow their subordinates to work

out all necessary details. The Greeks viewed this as a deceptive strategy; they preferred to directly handle all arrangements regardless of the time involved.¹

Protocol with regard to location is often the source of international blunders between cultures. A Chicago company was bidding on a public works project in Thailand and was waiting for the Thai contingent to arrive at their Chicago offices for the meeting. After hours of waiting, the Chicago company found out that the Thai group was still waiting to be picked up at the airport. They rescheduled a meeting for the next day, only to find out that the same communication problem existed. The Thai group waited for the Chicago company to pick them up at the hotel, while the Chicago company expected the Thai group to meet them at the Chicago office.

In France, McDonald's overlooked a cultural difference that led to years of litigation. In selecting a French partner, McDonald's examined a number of characteristics that would ensure sales. McDonald's is very good at this and, as usual, was successful. However, it did not examine carefully enough its partner's attitudes about cleanliness. Because French firms sometimes place less emphasis on cleanliness than U.S. firms do, local references of the French partner did not expose this as a troublesome issue. As business in France grew, however, McDonald's soon observed hygiene habits it considered unacceptable in its U.S. outlets. These habits, though, were not viewed as negatively by the French partner or by most of the French customers, for that matter. The real problem? Many of the outlet's customers were U.S. tourists expecting U.S. standards. The French outlets, therefore, negatively impacted McDonald's global image and threatened its "clean" reputation at home.

A local supermarket hoping to impress Japanese visitors served sushi and tea to its guests. Unfortunately, it not only served the fish cooked when the fish should

have been served raw, but the supermarket also served *Chinese* tea.

The failure to understand cultural differences can bear serious consequences. Consider an unfortunate U.S. manager who worked in the South Pacific. He hired local people without considering the island's traditional status system. By hiring too many of one group, he threatened to alter the balance of power of the people. The islanders discussed this unacceptable situation and independently developed an alternative plan. It had taken them until 3 a.m. to do so, however. But since time was not important in their culture, they saw no reason to wait until morning to present their suggestions to the American. They casually went to his place of residence, but their arrival at such a late hour caused him to panic. Since he could not understand their language and could not imagine that they would want to discuss business at 3 a.m., he assumed that they were coming to riot and called in the Marines! It was some time before the company was able to get back to "business as usual."

Knowing what to do is as important as knowing what not to do. In India, for instance, it is considered a violation of sacred hospitality mores to discuss business in the home or on social occasions. And if a business executive from India offers "come any time," it is an honest invitation, not just a polite expression as often used in the United States. The Indian is requesting a visit but is politely allowing the guest to arrange the time of the meeting. If no time is set, the Indian will assume that the invitation has been refused. The failure to understand this local custom has led to some serious misunderstandings.

Even the rejection of a cup of coffee can cause major problems. While a very profitable opportunity was being negotiated, one U.S. executive innocently made the mistake of refusing a Saudi Arabian's friendly offer to

join him for a cup of coffee. Such a rejection is considered an affront in Saudi Arabia. Naturally, the Saudi became much less sociable, and the negotiation process was much less successful than it might have been.

Gift giving can also create troubles. Sometimes gifts are expected and the failure to supply them is seen as insulting. Other times, however, the mere offer of such a token is considered offensive. In the Middle East, for example, hosts are insulted if guests bring food or drink to their homes, because they believe that such gifts imply that they are not good hosts. (Liquor, of course, is an especially dangerous gift, as it is prohibited by the Islamic religion.) In many parts of Latin America, cutlery or handkerchiefs should not be given, because these gifts imply a cutting off of a relationship or the likelihood of a tearful event. And giving a clock to someone in China is not a good idea, either. The Chinese word for clock sounds similar to their word for funeral.

In fact, even the way in which a gift is presented is important. In most parts of Asia gifts should be given privately to avoid embarrassing the Asians, but in the Middle East they need to be offered publicly in order to reduce the possible impression that bribery is being attempted.²

To avoid making blunders, a person must be able to discern the difference between what must be done, what must not be done, and what may or may not be done. For example, shoes must be removed before entering many of the religious buildings of the world, but the individuals doing so must not act as if they are of the religion if, in fact, they are not.

Complete knowledge and understanding of a foreign culture, however, is almost impossible to acquire. In fact, no general agreement even exists as to what "culture" is, but most experts do concur that it is a complex set of variables involving a group's beliefs and ways of living.

They also agree that an understanding of any foreign culture requires knowledge in a great many areas. Unfortunately, even a well-intended person can commit a blunder by overlooking just one seemingly unimportant aspect of a foreign culture.

The Role of Communication

As stated, culture plays an important role in international business. Of all of the aspects of culture, communication may be the most critical and certainly has been involved in numerous blunders. Good communication linkages must be established between a company and its customers, its suppliers, its employees, and its host governments. Poor communication networks can and have caused difficulties.

Technology offers new ways to commit blunders. Some of these blunders are simply due to not fully understanding the technology but sometimes the blunder happens because the normal ways to detect mistakes don't always work. Therefore new technology requires us to develop new ways to detect errors.

Take, for example, the use of the Internet to obtain data. More uses for the Internet are being developed daily, but not without some problems and challenges. Many textbooks now make more additional material that interfaces with their books available on the Internet. This material can be updated and provide valuable support for the learning experience. However, care must be taken to insure that the results are as anticipated.

Professors Michael Moffett and Arthur Stonehill, for example, had problems with the 1998 edition of their very good international financial management textbook when their readers were given an Internet address for checking their learning progress (answers to exercises,

etc.). The problem was that the address given was just slightly incorrect. The address turned out to provide X-rated (not FX) material. (It might be noted, however, that authors of some of the other competing books wondered if this was really an accident.)

Because so many potential communication barriers exist, it is especially difficult for companies to effectively communicate with potential buyers. Messages can be translated incorrectly, inappropriate media used, regulations overlooked, and economic or taste differences ignored. Sometimes the potential customer never receives the company's message, and at other times the message arrives but because of its ineffectiveness is of little value. Every once in a while the buyer receives the message but, to the company's dismay, the message sent was incorrect.

For example, it certainly would not be wise to say "yeah" to the Japanese. Not wise, that is, unless one wants to say "no," because "yeah" sounds like the Japanese word for "no." However, saying "so" should cause no problems—it means the same in both languages. (In China, by the way, *boo-shih* means, "not true." Americans have a remarkably similar-sounding phrase they sometimes use when wanting to imply they don't believe something!)

Multinational companies are not the only entities vulnerable to communication problems, of course. Former President Carter's speech in Poland will long be remembered for his incorrectly translated appreciation of the Polish women (whom his translator said he "lusted for"). Other well-known people have mangled public introductions by using incorrect titles and names. It seems that if there is a way to say something incorrectly, some poor soul has managed to do so.

As was noted earlier, even Professors of International Business have been known to make mistakes. Indiana

University, for example, hosted an important international business conference in 2002 and invited five distinguished speakers to talk about the history of international business education. Dr. John Daniels, past president of the Academy of International Business and a highly visible researcher in the field of international business, was one of the special speakers. As he was about to make his presentation, however, he saw he had a problem. Sitting in the audience was a person whom Dr. Daniels had identified in his already circulated paper as dead.

Communication problems take many forms. Nonverbal communication difficulties, in particular, have led to serious blunders. Americans, for example, all too often forget the old proverb that “patience is a virtue.” On many occasions, this lapse of memory has led them to react inappropriately by trying to correct a situation when in actuality all that was needed was patience. The “improper” amount of touching or eye contact has left many people feeling so uncomfortable that effective communication efforts have been hampered. The “incorrect” distance between individuals engaged in conversation has led to the false conclusion that the other person is too aggressive and hostile or too cold and distrustful.

The peoples of each culture uniquely utilize body movements as methods of communication. The meanings of motions and signs common in one culture may relay something quite different in another. Consider, for example, the OK sign commonly used in the United States. In France it signifies zero, and in Japan it symbolizes money. In parts of South America, however, it is a vulgar gesture. One unfortunate company learned this when it had an entire catalog printed with an OK stamp on each page. Although the error was quickly discovered, it created a costly six-month delay while all of the catalogs were reprinted.

Headshakes are particularly difficult to interpret. People in the United States shake their heads up and down to signify “yes.” Many British, however, make the same motions just to indicate that they hear—not necessarily that they agree. To say “no,” people shake their heads from side to side in the United States, jerk their heads back in a haughty manner in the Middle East, wave a hand in front of the face in the Orient, and shake a finger from side to side in Ethiopia.

Asian Indians sometimes shift their heads from side to side in a slightly jerky manner to indicate interest. However, in New Zealand people suck in a bit of air to show the same interest. The U.S. gesture to slit one’s throat means “I love you” in Swaziland. A backward victory symbol is an insulting gesture in Europe. Using a palm-up hand with moving index finger connotes “come here” in many countries but is considered vulgar in others. In Ethiopia, one beckons another by holding out the hand, palm down, and repeatedly closing the hand. The act of folding one’s arms denotes respect in Fiji but indicates arrogance in Finland. To an Ethiopian, one finger to the lips requests silence from a child whereas four fingers to the lips are necessary to ask the same from an adult.

The pointing of a finger is a dangerous action. In North America it is a very normal gesture, but it is considered very rude in many other parts of the world—especially in areas of Asia and Africa. It is usually much safer to merely close the hand and point with the thumb. However, even though pointing the thumb up is an easily recognized positive gesture in North America, that same thumbs-up signal is a vulgar insult in the Middle East.

Many cultures also have their own form of greeting. Often it is some variation of a handshake, but people also greet each other with hugs, nose rubs, kisses, and

other gestures in other cultures. Failure to be aware of these customs has led to awkward and embarrassing encounters and to serious misunderstandings.

Other forms of communication have also caused problems. The tone of the voice, for example, can be important. Some cultures permit people to raise their voices when they are distant from one another, but loudness in other cultures is often associated with anger or a loss of self-control.

Even laughter is interpreted differently around the world. While most countries consider it an expression of joy, some cultures discourage it. In many West African countries, laughter indicates embarrassment, discomfort, or surprise.

Ignorance of such differences in verbal and non-verbal forms of communication has resulted in many a social and business blunder. Local people tend to be willing to overlook most of the mistakes tourists make; after all, they are just temporary visitors. Locals are much less tolerant of the errors of business people—especially those who represent firms trying to project an impression of permanent interest in the local economy. The consequences of erring, therefore, are much greater for businesses.

Structure

Some of the blunders that companies have committed while trying to engage in business in foreign countries are described and discussed in this book. Most of these blunders have been reported in the media, but only in small numbers at any one time and in no clear patterns. The gathering of hundreds of these reports provided an opportunity to group these blunders and to arrive at some universally applicable conclusions.

The blunders have been grouped into seven categories: production, names, marketing, translation, management, strategy, and “other.” Production blunders—especially those related to building plants on inappropriate sites—have generally proven to be the most costly. Plant location and plant layout errors as well as mistakes involving products and packages are reported in the next chapter.

As pointed out in Chapter 3, inappropriate product and company names have caused company headaches. On occasion, a company has introduced an old, established name in a country that misunderstands it. In other instances, a firm has created a new name, only to later regret its decision. Sometimes harmless and amusing, these blunders have at other times proven insulting, embarrassing, and costly.

Marketing mistakes are described in Chapter 4. Communication problems, poor promotional strategies, and cultural differences have all played a part in the development of major marketing blunders. These types of errors are identified and discussed.

The largest number of blunders has been due to faulty translations. In fact, the number of translation errors is so vast that they are reported in a separate chapter, Chapter 5. Carelessness, unexpected additional meanings, and improper use of idioms have all contributed to translation blunders.

Managerial blunders were generally caused because people did not understand or were not aware of cultural differences. Some people simply are not culturally sensitive enough to successfully handle international assignments. Others may be sensitive but uninformed. A number of the management problems reported in Chapter 6 were caused by management’s lack of knowledge concerning local labor practices. These misunderstandings have often led to the most confrontational of all the reported incidents.

Strategic blunders are usually the most complex. They are also among the most difficult to overcome. Problems arising from companies' entry modes, their establishment of various alliances, and their planning of supply arrangements are discussed in Chapter 7.

Multinational enterprises have also been involved in many other blunders. Chapter 8 details legal, financial, and market research blunders. These types of blunders are not as easy to uncover and rarely make headlines, but they can be just as costly. In fact, the chapter helps make it clear that a blunder can occur in any area of international business.

The final chapter explains what can be learned from all of the international business blunders reported in the book and provides some important, basic conclusions. Some final comments and observations are also outlined in Chapter 9.

Please note that this book was not written with the intent of poking fun at companies. Nor should anyone conclude that firms are constantly making foolish mistakes. Their overall record is good, but hopefully this book will help make the future record even better.