Inter-cultural Corporate Behaviour in times of Globalization[1]
An Indian Point of View

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The fact and inevitability of globalization is not a matter of contention; its pace and content are, in particular the perception on the degree of inclusiveness or exclusivity that characterizes it. This applies not only to economic globalization, which has been the subject of extensive – even emotive – debate and discussion, but also to cultural globalization, which is increasingly, albeit only now, being viewed as critical to the success of economic globalization. This is particularly because cultural protectionism can result in the denial of market access in the same way as tariff barriers[3]. Cultural sensitivity is, as a result, emerging as an important element in the entry strategy of any transnational corporation[4]. In a world characterized by cultural diversity, cultural sensitivity and inter-cultural corporate behaviour has come to be accepted as a management technique that holds the key to successful global strategies and market expansion objectives[5].

Culture emerged as a sensitive issue only after September 11, 2001. Indeed, 9/11 is likely to hold centre stage as one of the most important and poignant moments of this century's history particularly, and sadly so, for its polarizing consequences. The two burning towers redefined relations between peoples and between nations. It not only sharply affected economic globalization but it had, and continues to have, a profound impact on inter-cultural relations and dialogue. In purely economic terms (economic globalization), when the twin towers were struck, every country that participates in the global economy, felt them just as sharply. Prior to September 11, the global economy was already in the grip of a slowdown. Once the US was hit and more importantly, on home ground, speculation on the form and the extent the US retaliatory strikes would take, ushered in uncertainty in the global economy. Consumer confidence plunged to an all

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[3] Indeed, cultural nationalism can result in a high measure of insularity; *Be Japanese Buy Japanese* can evoke sentiments of anti-colonialism and rejection of foreign goods as part of consumer preference, which is outside the purview of the WTO's Dispute Settlement Mechanism. Recall Mahatma Gandhi's *swadesi* (national) or freedom movement against British occupation of India; his call to reject the British (foreign) garments and to switch to hand-woven (*khadi*) clothes did more to devastate the Lancashire Cotton Mills than was envisaged at that time. The rejection of British manufactured goods symbolised nationalism and the participation in the freedom struggle.

[4] Hongkong Shanghai Bank has been carrying advertisements in major TV channels, such as CNN, on how gestures, even colours, have entirely different meanings in different countries and cultures.

[5] In Germany and other European countries, 'Inter-cultural Facilitation' is cited by many immigrants and long-term residents as a 'qualification' in their bio-profiles; such persons are called upon by business and industry, even government, to share ideas and perceptions on how people from their mother country would react and respond in particular situations; their role is to provide inputs on likely behavioural patterns.

time low and crippled exports from developing countries. Stepped-up security measures added to transaction costs and impacted on the movement of international goods. The US economy moved towards recession. A single day lost to business in the US and ensuing disruption knocked off 0.5% from the country's GDP. In Japan, the financial system took a severe beating and was on the verge of a crisis. The French economy grew at the slowest pace in two and a half years. Germany spoke for the first time of the need to introduce austerity measures. Global growth slowed down. The contagion had spread.

In cultural terms, the world was divided sharply into a clear-cut categorization of 'us versus them'[6]. It ushered in an era of fear, fear of the unknown, fear of the different, fear of the stranger. In management terms, what we could not understand, we could not relate to, and understanding was the first step in corporate behaviour especially in an alien surrounding. Cultural diversity, which was till recently, considered fascinating and alluring, emerged as a flashpoint and resurrected xenophobia[7]. It became the most important and influential argument in the battle against globalization as countries insulated themselves from the 'evils' of American hegemony[8] and an American way of life. In cultures that saw American anger specifically directed against them and their societies, indeed against their culturally different way of living and thinking, the boycott of US goods and American culture was the first step towards protectionism. Such a boycott becomes particularly worrisome when it is a spontaneous reflection of consumer preference rather than being governmentally driven.

This current cultural polarization, which has assumed severe and acute dimensions, has impacted negatively on the globalization process. Suspicion has defined negotiations in the WTO and all Western proposals are seen as having a hidden agenda rooted in hegemony; trade is viewed suspiciously as neo-imperialism. For the pro-globalisation lobby[9], the developing country reluctance in breaking the WTO impasse is rooted in the age-old leftist anti-West and anti-Capitalism mindset, which drew inspiration from Gunder Frank, Franz Fanon, Marx and Lenin. Such a distillation of the current anti-globalization movement is simplistic to the point of myopia. It refuses to recognize that for developing countries, the 'enemy' was never the US or 'the West' or money or MNCs or capitalism. Indeed, all developing countries are keen on foreign trade and attracting foreign investment and see it as critical ingredients in encouraging growth. The enemy was, and has always been, the absence of a genuine dialogue partner; indeed, with increasing cultural polarization and the strengthening of the 'us versus them' syndrome, Western countries are rapidly losing their credibility as reliable, sincere and genuine dialogue partners. Trust is no longer present at the negotiating table.

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[6] Recall President Bush's remark, "You are either with us or against us."

[7] The challenge against outsourcing or against a liberalized visa regime in high unemployment countries is a reflection of the 'us versus them' syndrome.

[8] Expand this to read as 'Western' or the 'allies of the US'; this is principally because in Europe, the link with the US through its transatlantic cooperation treaty is extended to include relations with non-NATO countries; Germany is likely to 'discover' India following the recent Indo-US nuclear agreement which Germany never expected/anticipated.

[9] See Bhagwati, J : In Defence of Globalization (Oxford University Press, 2004).

Non-Western societies have come to accept exclusivity as a recurrent pattern in the manner in which Western societies deal with them. This has been the single most and devastating consequence of the September 11 attacks. Diversity is no longer an asset; it is, in fact, a handicap. As a result, the link between cultural polarization and the opposition to globalization is central to any debate on the subject. It is also the most complex problem that cross-national corporate entities face in a globalizing world today.

Additionally, the fact that the poorer and underrated economies, particularly in Asia, are considered the driving force of the global economy[10] has emerged as the single most important challenge for global business and industry principally because it questions entrenched prejudices and perceptions; the onus is on global business to adapt its behaviour and find acceptance in developing country markets and not the other way around. Indeed, the newfound confidence among the developing countries, which is also reflected in international trade negotiations, makes it difficult for foreign capital to simply enter developing country markets without demonstrating sensitivity to local requirements and conditions. The acceptance of the influence of the G-20 grouping as a potent negotiating force in the multilateral trading system, at least since the Seattle Ministerial Conference, is worth recalling. At Seattle and consequent WTO Ministerial Conferences, developing countries jointly opposed developed country initiatives, which they considered detrimental to their national interests.

If this is the backdrop, what is the advice we can give to corporate society for inter-cultural behaviour in a globalizing society?

Global Strategies Must Adapt:

Ann Chen and Vijay Vishwanath[11] draw attention to the failure of Danone, one of the world's biggest makers of milk products, in China because it read market strategy wrong. It was not that the Chinese were averse to foreign brands or that Danone's products were not right and yet, after successfully selling biscuits and mineral water in China, it flopped with its dairy offerings. Carlsberg and Quaker Oats faced a similar fate. Yet, companies like Coca Cola, Colgate and Anheuser-Busch were making profits. So, what went wrong? Chen and Vishwanath say that what Danone did not do is to find the right mix of pricing, positioning, distribution, and acquisition. What the successful companies did on the other hand was to use three key strategies: first, to close the cost gap, second, to add products and channels and finally, to bring local brands on board. Colgate became China's top oral care company by cutting production costs and passing on those savings to the consumers; after entering the market in 1991, it began manufacturing its toothpaste in China, eventually sourcing the ingredients locally. Second, Coca Cola sells more than half of all carbonated soft drinks in China and

[10] India is enjoying a growth rate of eight percent; it has been identified by various international agencies as the country, which has the most exciting growth prospects. Even countries like Bangladesh and Pakistan, for instance, are enjoying five percent annual growth rate in comparison to Germany, for instance, where growth is barely one percent.

[11] Chen, Ann and Vishwanath, Vijay "Global Strategies: Exporting in China", *Harvard Business Review*, March 2005; pp 19-21.

generated more than $2 billion in revenue in 2003 because it adopted a calibrated market strategy that saw it reducing expense by manufacturing locally, setting up bottling plants and forming partnerships with bottling groups that enabled it to create a low-cost, efficient distribution network, and finally, by adding products such as herbal tea drinks; Coke brands now sell at only slightly more than local brands. Thirdly, successful foreign companies realize that the greatest opposition comes from entrenched local competition and market penetration requires offering a mix of both global and local brands. Gillette sells not only its premium Duracell batteries but also Nanfu, a local brand it has acquired; Anheuser-Beusch sells its premium beer Budweiser but also acquired a controlling stake in Harbin Brewery, China's fourth largest brewer and a minority stake in Tsingtao, China's number one brewery.

Corporate behaviour needs to adapt its strategy to suit local needs and requirements, if it is to successfully enter new markets.

Additionally, there are a number of soft challenges that corporate entities face in times of globalization that, nevertheless, can have profound implications on their success or failure.

Recognize Cultural Diversity and Avoid Generalizations

People are different; they think, act, behave and live differently. In an earlier part of the essay, we have pointed to the need to recognize that culture cannot be harmonized. Successful corporate strategy identifies cultural differences and works with them, especially where such differences are likely to impinge on the manner in which business is done. Europeans, for instance, would find it odd if business meetings were requested for spontaneously and without an appointment; Indians and indeed, most South Asians, would on the other hand, find it quite the norm that people would 'drop by' without an appointment and expect to be heard. Indeed, it would be considered an act of enormous discourtesy if a person were to be asked to seek an appointment before agreeing to a meeting. Unlike Europe, where business could be concluded in a single meeting (because an appointment would enable preparing for a meeting), in South Asia meetings would rarely get concluded in the first meeting, especially if there are complex and legal issues involved.

Not all cultural differences are particularly important as part of corporate strategy. Sen[12], for instance, informs us that Indians like to speak and that argumentativeness is part of their cultural tradition. There are several writings on the excessively inquisitive nature of the Indian, especially on what is considered to be part of the private domain. Most Indians would consider it quite normal to enquire, from perfect strangers, details and information that most Europeans might consider highly irregular and intrusive. At the same time, Indians would also be highly forthcoming about their own private affairs and dealings, and think nothing of burdening complete strangers with such unsolicited

[12] Sen, Amartya: The Argumentative Indian: Writings on Indian, History, Culture and Identity (Allen Lane; 2005)

information. Long train journeys can be a perfect setting for getting to know the life and family relationships of complete strangers!

Generalizations, on the other hand, can be a trap in India. How *Indians* think can be deceptive, principally because of India's enormous size and diversity. For most Europeans, India can be intimidating and rightly so. North to South, East to West, India is a continent. With one billion people, multiple religions and languages, it is a complex mix of various cultural traditions; indeed, it is not simply that the languages, customs, cuisine and clothing that differ, it is even the gods that we worship. Generalizations count for little. A person from Bengal would be different in almost every aspect from a person from the Southern part of India, in as much as a German may be different from a Greek or an Italian from a Frenchman. Stereotyping and bracketing cultures is useful to avoid.

Furthermore, for most Europeans, contemporary India is confusing with the coexistence of her stark contrasts. She is at once both, as Jeffrey Sachs[13] put it, "visually breathtaking and jarringly incomprehensible." At one end, there is the magnificence of her natural and physical beauty, and the rapid pace of her economic growth coupled with extraordinary achievements in science and technology. And at the other end of the spectrum, there is extreme poverty and destitution, especially in rural India and its inevitable spill over into urban India. Slums and shantytowns live alongside ultra-modern multi-storeyed blocks and designer stores. Less than a dollar a day co-exists with the fastest growing numbers of international millionaires. A predominantly agricultural economy remains hostage to the vagaries of nature and the unpredictable monsoon rains.

But worse, India overwhelms. There are the sheer numbers: 1 billion and more people. The statistics, by themselves, are awesome. Some tourists are unable to adjust to the sheer shock of people "literally pouring out" of Victoria Terminal in Mumbai and Howrah station in Kolkata during peak hours. It is a sight that will forever linger with them. In addition to the numbers, India's diversity in dialects, religion, customs, norms and mores is equally daunting.

And as it fascinated, confused and overwhelmed, India intimidated even the most intrepid. Sunil Khilani quotes Pandit Nehru[14], the first Prime Minister of independent India, "India was in my blood…. And yet, I approached her almost as an alien critic, full of dislike for the present as well as for many of the relics of the past that I saw. To some extent, I came to her via the West and looked at her as a friendly westerner might have done. I was eager and anxious to change her outlook and appearance and give her the garb of modernity. And doubts rose within me." It is this living dualism, this complex juxtaposition of literally two worlds in a single time frame that completely confuses with regard to India: the question is not *which* is India but the realization that both are, at least for the time being and till the new wave of liberalization and governmental policies ensures that the benefits of growth reach the poorest and the deprived sections of the population and the country. Today, Bihar with its backwardness is as much India as is

[13] Sachs, Jeffrey: The End of Poverty (Penguin, 2005).
[14] Nehru, Jawaharlal: The Discovery of India quoted in Sunil Khilani's The Idea of India, (Hamish Hamilton, 1997).

Maharashtra with its modernity. For successful inter-cultural corporate behaviour it is essential that this dualism is recognized and accepted.

Change is a Fact

Indo-German relations, for instance, have traditionally remained warm and cordial. Germans and Indians tend to think of one another in terms of prisms frozen in time. Most Indians would immediately recall Max Mueller[15] (whom most Germans may be unaware of) or that Bonn was known as 'the Benaras on the Rhine' (How many Germans know this? Or even about a place, in India, called 'Benaras'?). Some Indians, without meaning to be insensitive, would speak about Hitler. On the other hand, the knowledge with regard to India of most Germans was restricted, till recently, to classical music and dance, yoga and spiritualism, and at most, extended to Tagore because of the Tagore-Einstein connection. Today, IT and outsourcing are the new images of India, thanks in part to Thomas Friedman[16] whose remarkable thesis that globalization would lead to the 'flattening' of the world and the creation of a level playing field with the emergence of new players on the block, especially India with its IT revolution, has resulted in a new interest in India. Indeed, while India and Germany have both moved along, there continues to be tendency to fall victim to a 'frozen in time' perception and to see the new found discovery of India almost as an aberration.

Germany is one of India's most important trading partners. In 2004, during the visit of the then Federal Chancellor to India, both leaders spoke of doubling two-way trade from Euro 5 billion by 2010; as per current figures, this target will be reached at least two years before schedule demonstrating to the enormous untapped potential. There is increasing recognition among German business and industry that India is a serious and important dialogue partner. In India, Germany has essentially been regarded with a high degree of professional respect; Made in Germany is seen as synonym for high quality and precision; it is considered a standard. At the same time, there needs to be a simultaneous and fundamental shift in the way in which German business and industry approaches India: India – long considered an underdeveloped and impoverished country – has emerged in the global scene as a country whose progress and growth rates place it as among the fastest growing economies of the world. This is difficult for many Western countries to accept and reconcile to. How can India, known for so many years in its media as a land of impoverishment, grow to challenge a perception that has become part of Western thinking? Add to this, the enormous consternation that was felt when jobs began to be outsourced to India and worse, when Indian companies began purchasing German companies. Inter-cultural corporate behaviour in times of globalization needs to adjust to this changed circumstance and phenomenon; it requires a shift in paradigm, a shift in the *weltenschaung*.

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[15] A seminal German Indologist, who wrote extensively and with enormous respect about India; the Goethe Societies in India are referred to as Max Mueller Bhavans. Max Mueller interestingly never visited India, though he studied India extensively, including the Sanskrit language. His most important writing is titled *What India Means to Me*.

[16] Friedman, Thomas: The World is Flat (Allen Lane; 2005)

And finally,

Comparisons Fail to Recognize 'the why of differences'

The oft-repeated tendency among corporate entities is to ask why India cannot and does not show the promise and growth that is so representative of China. Why, for instance, they ask can doing business with India not be the same as doing business with China?

The Chinese economy has shown remarkable progress and rapid, consistent high economic progress. The sheer scale of attractiveness to foreign capital that the Chinese economy has demonstrated is not matched in equal measure by the Indian economy, where pace has tended to be slow. Yet, the Indian economy has grown at eight percent and by current international predictions, could well achieve nine to ten percent growth this year. According to Goldman and Sachs, by 2050 the Indian economy would be the third largest economy in the world far outstripping Germany and the EU.

The difference between the political systems in China and in India uniquely typifies the manner and pace of change in either country. India is a multi-party democracy increasingly characterized by coalition governments. In such a polity, consensus will determine the receptivity to political and economic programmes; top-down approaches will not survive. As a net result, policies in India are consensus based; they are debated and discussed with the various political fractions before they are introduced. Such policies need necessarily to be people friendly or they face the risk of rejection. In the end, policies in India once introduced are irreversible. It is worth recalling that while economic liberalization was introduced in the nineties under the government of Prime Minister P. V. Narasimha Rao, with Dr. Manmohan Singh as Finance Minister, successive governments in New Delhi did not roll back the liberalization process but rather ensured that it moved forward. Democracy will impose obligations on the elected government and no government in New Delhi is likely to surrender democracy for a faster pace of growth or to attract a larger share of foreign capital. It is for this reason alone that questions as to why India continues to fail where China succeeds is specious and reflects a failure of inter-cultural corporate behaviour to understand how cultures and societies function.

Corporate structures need to recognize that in so far as management is obliged to take into account the needs and demands of its employees, no government can claim legitimacy unless it responds to the needs of its people. Inter-cultural corporate behaviour can, thus, respond positively and successfully in a globalizing world only when it blends in the local milieu. In a globalizing world, interdependence of economies and the movement of capital, are critical to the success and the health of the global economy. But, polarizations and the lack of openness to cultural diversity can hurt the globalization process irrevocably. While difference is a reflection of uniqueness, difference need not result in differences. September 11 and its aftermath failed to unite people globally because it sought to identify diversity as a central cause of tension and terror. Uniquely, in comparison to the response to the tsunami tragedy, while one has stood out as a true reflection of global solidarity in the aftermath of a tragedy, the other has ushered in psychosis and the fear of the stranger, the different and the other. One united, the other irrevocably divided.

In conclusion, the following might be the thumb rule Ten Commandments of a successful inter-cultural corporate strategy in a globalizing world:

1. Global power equations are set to change dramatically; “the poor shall inherit the earth”; Asian economies are likely to emerge as the new powerhouse and the driving force of the global economy;
2. Accepting 1 above, is not a matter of shame or disgrace; it need not lead to xenophobia or the creation of a fortress Europe; perspectives and paradigms would, however, need to dramatically change to reflect changing global realities;
3. The tragic consequence of September 11 was greater insularity against the unfamiliar, the stranger and the different; the process of healing cannot be achieved through fear, domination or terror; if it is, it will not succeed;
4. Cultural domination is not likely to succeed even in the short term as attempts at cultural hegemony will be fiercely resisted, especially where it is perceived as being targeted at what makes a people different and unique;
5. Cultural diversity or the fact of cultural difference need not lead to differences; corporate structures that recognize this and are able to work with cultural diversity will succeed; culture need not become a cause for conflict; if it is, it will lead to prolonged conflict and cripple the global economy;
6. Corporate strategy that fails to recognize and work with cultural diversity will fail;
7. Generalizations will misguide and mislead; they need to be avoided; the world is not likely to become a melting pot;
8. Successful managers are those who figure out *how* clients think rather than those who are interested in how clients *ought* to think;
9. Global strategies cannot afford to ignore local strengths or entrenched local interests; and
10. Global (indeed, all) strategies succeed only when they are creative and never static.

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