
ДИСКУССИОННЫЙ КЛУБ

IMPACT OF HISTORY ON GLOBAL BUSINESS SUCCESS

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The academic disciplines of business and history have not traditionally been connected in a meaningful way until the past half century. Increasingly both academics and professionals around the world recognize that understanding global, regional, national history is essential for global business success.



People have engaged in trade for thousands of years. Ancient history provides us with rich examples such as the Silk Road, which refers to an extensive array of interconnected land and water trade routes, covering more than 4000 miles and connecting the Mediterranean with Asia and reaching all the way through China. In more recent centuries, economists and historians have focused on trying to understand and explain the trade patterns and the impact on a country's political, economic and social evolution and progress. Recent business scholarly focus has segmented history into three stages: globalization 1,0 from 1492 to 1800; globalization 2,0 which covers the period from 1800 to 2000, and now the world is classified as stage 3,0. In Globalization 1,0, nations dominated global expansion. Globalization 2,0 was driven by

the ascension of multinational companies, which pushed global development. And, today, globalization 3.0 is being driven by technology.

It's simplistic to think that trade is just about business interests in each country – global trade is much more. There's a convergence and at times, a conflict of the interests of the different stakeholders – from businesses, to governments, to local citizens. In recent years, advancements in technology, a renewed enthusiasm for entrepreneurship, and a global sentiment tilting towards free trade have further connected people, businesses and markets – all flatteners that are helping to expand global trade and investment. An essential part of international business is understanding the history of international trade and what has motivated countries to encourage or discourage trade within their borders. Companies react to these incentives and regulations as they evaluate which countries to do business with and in invest in.

As more businesses seek to do operate outside of their home country, they find themselves facing different cultures and business environments. Whether a firm is doing business in Europe, the Far East, North America, or any of the other major regions, understanding modern history at all levels is essential for business success.

When businesses explore new markets, they need to assess how a country's political system impacts the economy as well as the particular firm and industry. Businesses need to assess the historical evolution of local policies, rules, and regulations and how these will affect their business for the future. Depending on how long a company expects to operate in a country and how easy it is for them to enter and exit, a firm may also need to assess the country's political risk and stability – all of which requires an understanding of the country's history – politically, economically, legally, and culturally.

History has a deep impact on the evolution of the local culture – understanding this evolution is essential for doing business in any country. Most people hear about culture and business and immediately think that it's just about a protocol, a list of do's and don'ts by country. Don't show the sole of your foot in Saudi Arabia. Know how to bow in Japan. While these are certainly true, they are just a tiny tip of the iceberg. We often underestimate how critical local culture, values, and customs can be in the business environment. Many people assume, usually incorrectly, that business is the same everywhere. Culture, and its evolution over time, does matter, and more and more people are realizing its impact on their business interactions. Culture affects all aspect of business – from entering new marketing, to hiring and managing local staff, to sales and marketing, manufacturing and distribution.

Culture really refers in the broadest sense to how and why people think and function. It encompass impact everything. How people eat, play, dress, work, think, interact, and communicate. Everything a group of people does in essence has been shaped by the cultures in which they are raised and influenced by. Similarly, other people, usually in another country, are also shaped by their cultural influences. These cultural influences impact how people think and communicate.

Before we can dig deep into understand the impact of culture on business, we need to determine what exactly do we mean by culture?

The study of modern cross cultural analysis incorporates the fields of anthropology, sociology, history, psychology and communication. The intersection of culture and business is a new and evolving field and, it's not a static understanding, but continuously evolving and requires an accurate interpretation of history on these fields.

Culture in today's context is different than the traditional more singular definition, used particularly in western languages, where the word implied refinement or civilization. In the context discussed in this article, culture *is the beliefs, values, mind-set and practices of a specific group of people*. It includes the behavior pattern and norms of a specific group – the rules, assumptions and perceptions, the logic and reasoning that is specific to a group.

Culture is really the collective programming of a mind from birth. It's this collective programming that distinguishes one group of people from another. Culture awareness most commonly refers to having an understanding of another culture's values and perspective. It's important to understand that this does not mean automatic acceptance. It simply means understanding another culture's mindset and what about their history, economy, and society has impacted how people think. When talking about culture in this context, it is important to clarify that there really are no rights or wrongs – people's value systems and reasonings are based on the teachings and experiences of their culture. Rights and wrongs then really become perceptions. Most importantly, these perceptions change over time – increasing the importance of understanding history to be able to accurately interpret these values and perceptions.

There are a number of factors that constitute a culture: manners, mind-set, rituals, laws, ideas, and language, to name a few. To truly understand culture, a person needs to go beyond basic protocol and focus in-depth on understanding why people act and think as they do, what historical political, social and economic factors have impacted their mind-set and how it has been influenced over time.

When trying to understand how cultures evolve, people look at the factors that help to determine cultures and their values. In general, a value is defined as something that a person or group of people prefer over something else – whether it's a behavior or a tangible item. Values are usually acquired early in life and are usually nonrational, although most people perceive their own values as rational. Values are the key building blocks of cultural orientation and evolve slowly over the course of time.

Human nature is such that people see the world through their cultural shades. Tucked in between the lines of a person's cultural perspective is an unconscious bias that inhibits them from viewing other cultures objectively. Judgments of people from other cultures will always be colored by the frame of reference which has been taught.

Cultural values have over time impacted business. Each professional, regardless of their origin, is influenced by the values, social programming, and experiences since their childhood. These collective factors impact how a person per-

ceives an issue and the related correct or incorrect behavior. For some cultures, the evolution of international business and their culture sometimes creates a conflict such as in the area of gift giving. Long an established form of relationship development in all business conducted in Asia, the Arab World and Africa, it was clear to many that the type and value of the gifts were getting out of hand and tipping into the category of outright bribery. In the past two decades, many countries have placed limits on the types and value of gifts while simultaneously banning bribery in any form. Yet, despite laws and regulation, there is still a lack of clarity of business practice. Changing the cultural practices of gift giving is an evolving process and will take time and government attentiveness as well as more transparency.

Culture and historical traditions can also impact how people see the role of one another in workplace. For example, gender issues are at times impacted by local perceptions of women in the country and its workplaces – another evolving set of values.

Just as we look to history to understand political, technical or social changes, so too for changes in thinking and philosophy. There's a history to how thinking has evolved over time. What may have been acceptable or unacceptable just a hundred years ago, may be very different – from how we present ourselves, act and interact, to our customs, values and beliefs. Businesses then seek to understand these cultural values and perceptions – and how they have evolved over time.

Given the prevalence of western influenced thought and philosophy over the world in the last few centuries, many would say that global business has been heavily influenced by the current mode of thinking that began with the reformation and post-enlightenment values, affecting equality and individual rights. The prevailing corporate values, including those of institutional and individual equality; the right of every employee to work hard and reap the rewards, financial and nonfinancial; corporate social responsibility, as well as the application of science and reason to all management and operational processes have their roots in these historical periods of thought. Global firms have come to accept that all people in any country, of any background are equal and should have equal opportunity. Companies incorporate this principle in their employment, management and operational guidelines, and yet, enforcing it in global operations can be both tricky and inconsistent.

Most importantly, firms recognize that cultures and values are not static entities. Around the world, values and cultures are evolving from generation to generation as people are influenced by things outside of their culture. In modern times, media and technology have probably single-handedly impacted cultures the most in the shortest time period – giving people around the world instant glimpses into other cultures, for better or for worse.

What Kinds of Culture Are There? When businesses seek to understand a culture (and historical traditions), they need to first define the type of culture they are targeting. Precisely where a culture begins and ends can be murky. Some cul-

tures fall within geographic boundaries; others, of course, overlap. And cultures within one border can turn up within other geographic boundaries looking dramatically different or pretty much the same. For example, Indians in India may communicate and interact differently from those who have been living outside of their home country for a few years.

Historical, political and economic philosophies impact the way people's values are shaped. Formed by education, religion, or social structure, a person's cultural base of reference impacts our business interactions in critical ways. We often think that cultures are defined by the country or nation, but that can be misleading as there are different cultural groups, including national, subcultures which include gender, ethnicity, religion, generation, and even socio-economic class; and groups or organizations, including workplace.

Within cross-cultural analysis, the Dutch social scientist, Geert Hofstede dominates our current understanding of culture and its impact on business. Hofstede's original analysis of cultural was initiated in the early 1970s when he conducted a large research project into national culture differences across the subsidiaries in 64 countries of the American multinational company, IBM. Later studies by other social scientists validated Hofstede's findings that there are five major dimensions of how cultures differ.

1. Power Distance – which references to how openly a society or culture accepts or does not accept differences between people as in hierarchies in the workplace, in politics, etc.

2. Individualism – refers to people's tendency to take care of themselves and their immediate circle of family and friends, perhaps at the expense of the overall society. This is in contrast to collectivist societies, where concern for the group is paramount.

3. Masculinity – refers to how a culture ranks on traditionally perceived «masculine» values-like assertiveness, materialism and less concern for others. In contrast, feminine cultures are thought to emphasize «feminine» values like concern for all, quality of life and for relationships. In feminine-oriented cultures, both genders swap roles, with the accent on quality of life, service, and independence.

4. Uncertainty Avoidance – this refers to how much uncertainty a society or culture is willing to accept. It can also be considered an indication of the risk propensity of people from a specific culture. People who have a high uncertainty avoidance generally prefer to steer clear of conflict and competition. They tend to appreciate very clear instructions and need sharply defined rules and rituals are used to get tasks completed. Stability and the known are preferred to the unknown. Company cultures in these countries may show a preference for low-risk decisions and employees are less willing to exhibit aggressiveness. In countries with low uncertainty avoidance, people are more willing to take on risks, companies may appear less formal and structured, and «thinking outside of the box» is valued.

5. Long-term Orientation – refers to whether a culture has a long-term or short-term orientation. It is most often used to interpret differences in Western and Eastern approaches to government, economic and industrial policy as well as the strategy of a company (1).

In practice, these five dimensions do not occur as single values, but are really woven together and are interdependent, creating very complex cultural interactions. Even though these five values are constantly shifting over time and not static, they help businesses begin to understand how and why people from different cultures may think and act. Companies use these dimensions to better understand their workforce as well as their customers in countries in which they operate. While this article is limited in the extent of analysis of each, it is clear that a detailed knowledge of a country's history is essential to interpret the evolution of these dimensions and their impact on how business is conducted in each culture.

As firms look at different markets around the world, they conduct their business analysis at different levels, from the macro (national) to the micro (workforce or customer target market).

National. A national culture is as it sounds defined by its geographic and political boundaries and includes even regional cultures within a nation as well as among several neighboring countries. What is important with regards to nations is that boundaries have changed throughout history. These changes in what territory and which ethnic groups make up a country as well as the name of the country impacts the culture of each country.

In the past century alone, the world has seen many changes as new nations emerged from the dismantling of the British and Dutch Empire at the turn of the 1900s. While it's easy, more than sixty years later, to forget that the British ran India for two hundred years as did the Dutch in Indonesia, what is more clear is the impact of the British and Dutch on the respective bureaucracies and business and legal environments. The Brits and the Dutch were well known for establishing large government bureaucracies in the countries they controlled. For example, unlike the British colonial rulers in India, the Dutch did little to develop Indonesia's infrastructure, civil service, or educational system. The Brits, on the other hand, tended to incorporate locals into administrative positions thereby establishing a strong and well educated Indian bureaucracy. Even though many businesspeople today complain that this Indian bureaucracy is too slow and focused on rules and regulations, the government infrastructure and English-language education system laid out by the Brits helped position India for its emergence as a strong hi-tech economy.

Even within a national culture, there are often distinct regional cultures – the US is an example of diverse and distinct cultures all living within the same physical borders. In the US, there's a national culture embodied in the symbolic concept of all – American, but there are also other cultures based on different regions – the south, southwest, west coast, east coast, northeast, mid-Atlantic, and midwest.

Knowing the history of each of these regions is essential for understanding how to effectively operate in these environments.

Subcultures. There are also many groups defined by either ethnicity, gender, generation, religion or other characteristics that also have developed cultures that are unique to them. For example, the ethnic Chinese business community has a distinctive culture even though it may include Chinese in several countries. This is particularly evident throughout Asia, as many often refer to them as a single business community. The overseas Chinese business community tends to support one another and forge business bonds despite whether they are from Indonesia, Malaysia, Singapore, and other ASEAN (Association of Southeast Asian Nations) countries. This group is perceived differently than Chinese from mainland China or Taiwan. Their common experience throughout modern history as being a minority ethnic community with strong business interests has led to a shared understanding of how to quietly operate large businesses in countries where they are the ethnic minority. Just as in mainland China, *guanxi*, or connections are essential to admission into this overseas Chinese business network. But once in the network, they tend to prefer doing business with one another and offer preferential pricing and other business services. Non-Chinese businesses recognize the need to understand the history of overseas Chinese firms in order to successfully work with them.

Group or Organizational. Every organization has its own culture and by that understanding, every company has its own workplace culture. This is referred to as organizational culture. This defines simple aspects such as how people dress, casual or formal; to how they perceive and value employees; and, how they make decisions, as a group or by manager alone. In recent times, understanding the level of entrepreneurial culture in a company helps understand if a company can encourage people to think creatively and respond to new ideas fairly quickly without a long internal approval process. One of the issues managers often have to consider when operating with colleagues, employees, or customers in other countries is how the local country culture will blend or contrast with the company culture.

For example, Apple, Google, and Microsoft all have distinct cultures which are influenced both by their industries and the types of high-tech employees that they hire as well as personalities of their founders. When each of these hi-tech firms operates in a local country, they have to assess how new employees will fit their respective corporate cultures, which usually emphasizes creativity, innovation, teamwork balanced with individual accomplishment as well as a strict and keen sense of privacy. Their global employees may appear relaxed in casual work clothes, but underneath there is often a fierce competitiveness. So how do these companies effectively hire and manage in countries, like Japan, where traditionally throughout history, team work and following rules are more important than seeking new ways of doing things? This is an ongoing challenge that human re-

source (HR) departments continuously seek to address. Knowing the recent history of a country or culture helps managers determine the best policies and programs to develop their workforce.

Impact on Business. Often professionals err when they think that in today's shrinking world, cultural differences no longer pertain. People mistakenly assume that just because people dress alike and even sound similar in their choice of words in a business setting, that they think alike. Even in today's global world, there are wide cultural differences and these heavily impact how people do business. Historical traditions and culture impacts many things in business. The following are just a few:

- 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, distribution.

There are still many people around the world who think that business is just about core business principles and making money. Issues like culture don't really matter. They do and in many ways. Even though people are focused on the bottom line, people do business with people they like, trust, and understand – all impacted by culture. It is critical for businesses to understand the history and politics of any country or region in which they operate. Whether dealing with workers or customers, firms recognize that it is important to remember that each person, the worker or the customer, considers his or her «sphere» or «world» the most important and that it forms the basis of his or her individual perspective. It is easy to forget that cultures are shaped by decades and centuries of experience and that ignoring cultural differences puts firms at a disadvantage.

How cultural factors impact business is extensive. Culture impacts how employees are best managed based on their values and priorities. When dealing with people from another culture, professionals may find that their business practices, communication, and management styles are different from what they are accustomed to. Understanding the culture of the people with whom you are dealing is key to successful business interactions as well as to accomplishing business objectives.

A country's recent history can affect a company's analysis and decision on how best to enter or reenter a new market. In the early 1990s, executives at Coca-Cola had to understand the political and economic history of India, which a decade earlier in the 1970s had led to Coke's departure from the country. With this historical knowledge in place, the company could successfully plot its reentry strategy in the early 1990s. Coke had to understand Indians historical preference for self-reliance was rooted in its Gandhian influence. This example illustrates just one of many scenarios of global companies and countries around the world eager to find themselves one or more profitable and enduring «dance partners».

Local cultures also impact the functional areas of marketing, sales, and distribution. In reality, understanding cultural differences is important whether a company is selling to ethnic markets in their own home country or selling to new markets in different countries. Culture also impacts a firm if you're sourcing from different countries, how they 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.

Modern successful businesses recognize the need to understand not only the current political, economic, social, and cultural environments in the countries in which they operate – but also the history and the evolution of these factors.

NOTES

- (1) *Hofstede G. Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nations.* – 2nd ed. – Thousand Oaks CA: Sage Publications, 2001.

КАК ЗНАНИЕ ИСТОРИИ ВЛИЯЕТ НА УСПЕХИ ГЛОБАЛЬНОГО БИЗНЕСА

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До второй половины прошлого века с академической точки зрения дисциплины истории и бизнеса не были связаны между собой. В статье автор размышляет о том, как знание мировой, региональной и национальной истории способствует успеху развития глобального бизнеса.

Ключевые слова: история, глобальный бизнес, культура.