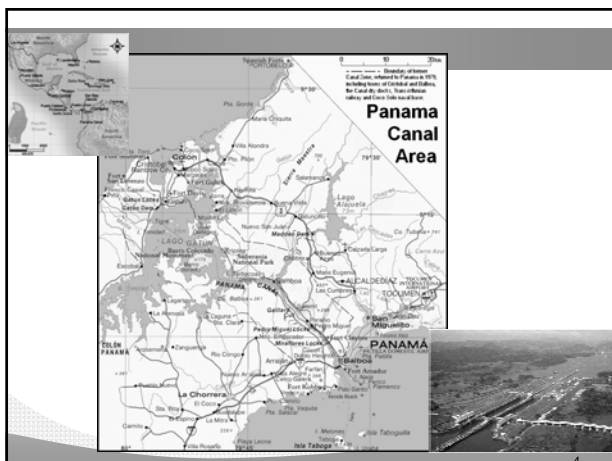
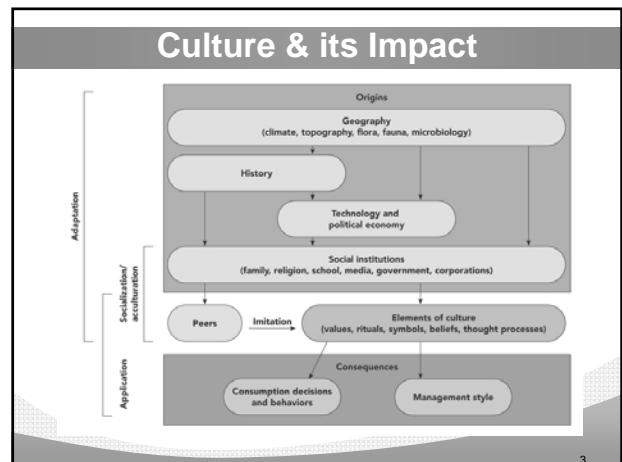


### Session objectives

- The Importance of History and Geography in the Understanding of International Markets
- The Importance of Culture to an International Marketer



### Birth of a Nation - Panama in 67 Hours

#### THE STAGE IS SET

**June 1902**

U.S. offers to buy Panama Canal Zone from Colombia for \$10 million.

**August 1903**

The Colombian Senate refuses the offer. Theodore Roosevelt, angry on hearing of the refusal, is alleged to have referred to the Colombian Senate as "those contemptible little creatures in Bogota." Roosevelt agrees a plot, led by Dr. Manuel Amador, a secessionist, to assist a group to secede from Colombia. →

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**Birth of a Nation - Panama in 67 Hours**

**October 17**  
Panamanian dissidents travel to Washington and agree to stage a U.S.-backed revolution. Date of revolution set for 6 pm November 3.

**October 18**  
Flag, constitution, and declaration of independence created over the weekend.  
Panama's first flag was designed and sewn by hand in Highland Falls, New York, using fabric bought at Macy's. Bunau-Varilla, a French engineer associated with the bankrupt French-Panama canal construction company and who had to permanent residence in Panama, was named Panama's ambassador to the United States. →

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**Birth of a Nation - Panama in 67 Hours**

**A COUNTRY IS BORN**

**Tuesday, November 3**  
Precisely at 6.00 pm bribes are paid to the Colombian garrison to lay down their arms. The revolution begins, the U.S.S. *Nashville* steams into Colon harbor, and the junta proclaims Panama's independence.

**Friday, November 6**  
By 1:00 pm the United States recognizes the sovereign state of Panama.

**Saturday, November 7**  
The new government sends an official delegation from Panama to the United States, to instruct the Panamanian ambassador on provisions of the Panama Canal Treaty. →

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**Birth of a Nation - Panama in 67 Hours**

**Wednesday, November 18**  
6:40 pm the Panamanian ambassador signs the Panama Canal Treaty.

**Wednesday, November 18**  
At 11:30 pm., official Panamanian delegation arrives at Washington, D.C., railroad station and is met by their ambassador who informs them that the treaty was signed just hours earlier.

SOURCE: Bernard A. Weisberger, "Panama: Made in U.S.A.," *American Heritage*, November 1989, pp. 24-25.

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**Birth of a Nation - Panama in 67 Hours**

**The Present**

**1977 -**  
United States agrees to relinquish control of Panama Canal Zone in 2000.

**1997**  
Autoridad del Canal de Panama, the canal authority that will assume control from the US Panama Canal Commission, is created

**1998**  
Panama gives a Chinese company the right to build new port facilities on both the Pacific and Atlantic sides, to control anchorages, to hire new pilots to guide ships through canal, and to block all passage that interferes with the company's business.

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**Birth of a Nation - Panama in 67 Hours**

**January 1, 2000**  
"The Canal is ours" is jubilant cry in panama.

**January 17, 2000**  
Pentagon sees potential Chinese threat to Panama Canal.





**July 2002**  
Chinese pressures Panama to extend diplomatic recognition to China and drop recognition to Taiwan

**2004**  
*The saga continuous...*

10

**Historical Perspective in Global Business**

Historical insights of a country are important for understanding:

- Attitudes about the role of government and business 
- Relations between Managers and Subordinates 
- Sources of Management Authority 
- Attitudes toward Foreign Corporations 

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## Geography and Global Markets

- Climate & Topography
- Geography, Nature & Economic Growth
- Social Responsibility
- Environmental Management
- Resource

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## Need satisfaction and Value

**Potential product**  
**Augmented product**  
**Expected product**  
**Basic product**  
**Core benefit**

Theodore Levitt, (1980), "Marketing success through differentiation – or anything," Harvard Business Review, January – February, Reprinted in Theodore Levitt (1986), The marketing imagination, Free Press, pp. 72-93

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## World Population by Major Areas & Life Expectancy

**Exhibit 3.4**  
World Population by Region, 2000–2050, and Life Expectancy at Birth, 1995–2000 (millions)

Regions	2000	2025	2050	Life Expectancy at Birth 1995–2000
World	6,070	7,851	8,919	65
More-developed regions*	1,194	1,214	1,220	75
Less-developed regions†	4,877	6,610	7,699	63
Least-developed countries‡	688	1,149	1,675	49
Africa	796	1,292	1,803	50
Asia	3,680	4,742	5,222	66
Europe	728	696	632	73
Latin America	520	687	768	69
Northern America	316	394	448	76
Oceania	31	40	46	73

\*More-developed regions comprise all regions of Europe and Northern America, Australia–New Zealand, and Japan.  
 †Less-developed countries comprise all regions of Africa, Asia (excluding Japan) and Latin America, and the regions of Melanesia, Micronesia, and Polynesia.  
 ‡Least-developed countries as defined by the United Nations General Assembly include 48 countries, of which 33 are in Africa, 9 in Asia, 1 in Latin America, and 5 in Oceania. They are included in less-developed regions.

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## Trends of world culture

- Urbanization
- Population and Aging
- Woman empowerment
- Religion

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## World Population by Major Areas & Rural-Urban Divide

**Exhibit 3.5**  
Rural and Urban Population, 2001–2030 (millions)

Regions	Urban		Rural		Percent Urban	
	2001	2030	2001	2030	2001	2030
World	2,923	4,980	3,211	3,289	47.7	60.2
More-developed regions*	902	1,005	292	1,212	75.5	82.6
Less-developed regions†	2,002	3,976	2,919	3,078	40.9	56.4
Least-developed countries‡	179	582	505	750	26.2	43.7
Africa	307	787	506	702	37.7	53.0
Asia	1,414	2,679	2,307	2,271	38.0	54.1
Europe	534	540	192	130	75.6	80.5
Latin America	399	608	127	116	75.8	83.2
Northern America	246	335	71	70	77.6	84.5
Oceania	23	32	8	8	74.3	74.3

\*More-developed regions comprise all regions of Europe and Northern America, Australia–New Zealand, and Japan.  
 †Less-developed countries comprise all regions of Africa, Asia (excluding Japan) and Latin America, and the regions of Melanesia, Micronesia, and Polynesia.  
 ‡Least-developed countries as defined by the United Nations General Assembly include 48 countries, of which 33 are in Africa, 9 in Asia, 1 in Latin America, and 5 in Oceania. They are included in less-developed regions.

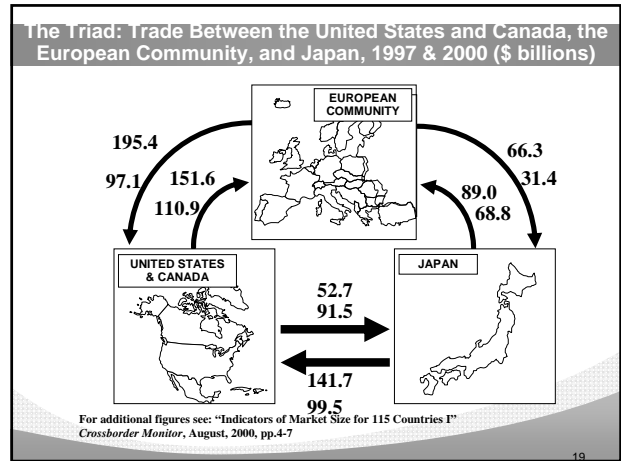
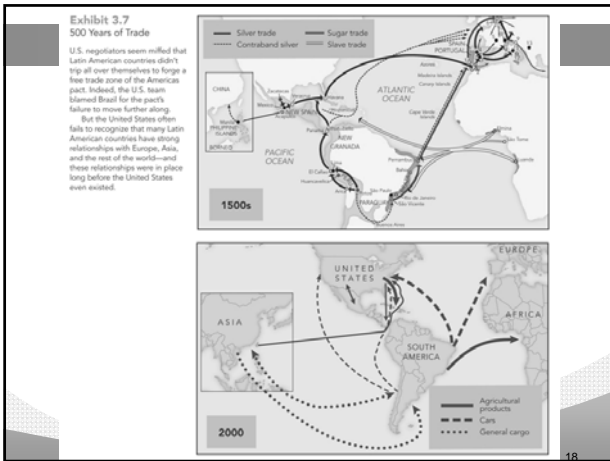
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## Population & Aging

**Exhibit 3.6** Age Density for World and Selected Countries

Source: Oxford Atlas of the World, 10th ed., 2002, BNV, Oxford University Press, 2002, p. 239

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**Patterns of Consumption**

**Exhibit 4.2** Patterns of Consumption (annual per capita)

Country	Cut Flowers (stems)	Chocolate (kg)	Fish (kg)	Pasta (kg)	Wine (lit)	Tobacco (sticks)
France	81	4.3	8.6	4.6	30.4	1375 (-11)*
Germany	120	8.7	5.3	5.1	21.3	1719 (+4)
Italy	87	2.5	8.5	<b>20.7</b>	<b>34.4</b>	1869 (+12)
Netherlands	<b>125</b>	5.0	6.1	2.5	17.9	1050 (+4)
Spain	53	1.7	<b>19.8</b>	4.4	13.1	<b>2288 (+10)</b>
United Kingdom	48	<b>10.5</b>	3.0	2.1	15.7	973 (-16)
Japan	110	1.8	59.4	10.9	6.9	2472 (-4)
United States	75	5.6	4.9	3.5	5.9	1428 (-18)

\*15-year growth rate, percent.  
Source: EuroMonitor International, 2004.

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**Consequences of Consumption**

**Exhibit 4.3** Consequences of Consumption

Country	Birthrate (per 100,000)	Life Expectancy	Death Rate per 100,000			
			Ischemic Heart Disease	Chronic Liver Disease and Cirrhosis	Lung Cancer	Stomach Cancer
France	<b>12.3</b>	<b>79</b>	75	16	42	9
Germany	8.2	78	<b>241</b>	<b>22</b>	46	16
Italy	8.6	<b>79</b>	131	19	55	<b>19</b>
Netherlands	10.6	78	113	5	54	11
Spain	8.9	78	100	15	<b>59</b>	15
United Kingdom	10.6	77	162	9	57	12
Japan	9.2	81	59	11	42	41
United States	13.1	78	193	11	55	5

Source: World Health Organization (www3.who.int/whosis/menu.cfm), click on WHO Mortality Database, then Table 11, 2004.

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**Meaning of Culture**

Culture refers to "the human-made part of human environment—the sum total of knowledge, beliefs, art, morals, laws, customs, and any other capabilities and habits acquired by humans as members of society"

Culture is the sum of the "values, rituals, symbols, beliefs, and thought processes that are learned, shared by a group of people, and transmitted from generation to generation"

Culture has been conceptualized as:

- "Software of the mind" culture is a guide for humans on how to think and behave; it is a problem-solving tool (Hofstede)
- An invisible barrier... a completely different way of organizing life, of thinking, and of conceiving the underlying assumptions about the family and the state, the economic system, and even Man himself" (Hall)
- A "thicket" (U.S. Ambassador Hodgson)

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- Elements of Culture**
- Material Culture
    - Technology
    - Economics
  - Social Institutions
    - Social Organization
    - Education
    - Political Structures
  - Humans and The Universe
    - Belief Systems
  - Aesthetics
    - Graphic and Plastic Arts
    - Folklore
    - Music, Drama, and Dance
  - Language
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## Cultural Knowledge

- Factual vs. Interpretive Knowledge
- Cultural sensitivity and Tolerance

### Cultural Values

- Individualism/Collective Index (IDV), which focuses on self-orientation
- Power Distance Index (PDI), which focuses on authority orientation
- Uncertainty Avoidance Index (UAI), which focuses on risk orientation; and
- Masculinity/Femininity Index (MAS), which focuses on assertiveness and achievement

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## Hofstede's Indices

Exhibit 4.5 Hofstede's Indices, Language, and Linguistic Distance

Country	IDV Score	PDI Score	UAI Score	Primary Language	Distance from English
Arab countries	38	80	68	Arabic	5
Australia	90	36	51	English	0
Brazil	38	69	76	Portuguese	3
Canada	80	39	48	English (French)	0.3
Colombia	13	67	80	Spanish	3
Finland	63	33	59	Finnish	4
France	71	68	86	French	3
Germany	67	35	65	German	1
Great Britain	89	35	35	English	0
Greece	35	60	112	Greek	3
Guatemala	6	95	101	Spanish	3
India	48	77	40	Dravidian	3
Indonesia	14	78	48	Bahasa	7
Iran	41	58	59	Farsi	3
Japan	46	54	92	Japanese	4
Mexico	30	81	82	Spanish	3
Netherlands	80	38	53	Dutch	1
New Zealand	79	22	49	English	1
Pakistan	14	55	70	Punjabi	3
South Korea	18	60	85	Korean	4
Taiwan	17	58	69	Taiwanese	6
Turkey	37	66	85	Turkish	4
United States	91	40	46	English	0
Uruguay	36	61	100	Spanish	3
Venezuela	12	81	76	Spanish	3

Source: Geert Hofstede, *Culture's Consequences*, 2nd edition (Thousand Oaks, CA: Sage, 2001). Used by permission of Geert Hofstede.

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## Country Associations

Exhibit 4.6 Metaphorical Journeys through 23 Nations

Source: Martin J. Gannon, *Understanding Global Cultures, Metaphorical Journeys through 23 Nations*, 2nd edition, Thousand Oaks, CA: Sage, 2001. Used by permission of Sage Publications.

The Thai Kingdom	The Traditional British House
The Japanese Garden	The Malaysian Balik Kampung
India: The Dance of Shiva	The Nigerian Marketplace
Bedouin Jewelry and Saudi Arabia	The Israeli Kibbutzim and Moshavim
The Turkish Coffeehouse	The Italian Opera
The Brazilian Samba	Belgian Lace
The Polish Village Church	The Mexican Fiesta
Kimchi and Korea	The Russian Ballet
The German Symphony	The Spanish Bullfight
The Swedish Stupa	The Portuguese Bullfight
Irish Conversations	The Chinese Family Altar
American Football	

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## Cultural Adaptation

Cultural Imperatives

Cultural Adiaphora

Cultural Exclusives

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## Cultural Factors

- Never touch the head of a Thai or Pass an object over it
- The head is considered sacred in Thailand.
- Avoid using triangular shapes in Hong Kong, Korea, and Taiwan. It is considered a negative shape.
- The number 7 is considered bad luck in Kenya, good luck in the Czech Republic and has a magical connotation in Benin, Africa.
- The number 10 is bad luck in Korea.
- The number 4 means death in Japan.
- Red represents witchcraft and death in many African countries.
- Red is a positive color in Denmark.

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## Cultural Differences between Japanese and American Individual Lifestyles

Americans A Culture of Self-expression	Japanese A Culture of Self-restraint	Cultural Background
Clear expression of joy and sorrow	Ambiguous expression of Joy/Sorrow	Reticence
Unequivocal expression of "Yes/No"	Equivocal expression of "Yes/No"	Modesty
Strong self-assertion	Weak self-assertion	Reserve
Strong personality	Weak personality	Punctiliousness
Excellent negotiating skills	Poor negotiating skills	Politeness
Priority of self-interest	Priority of harmony with others	Obligation

SOURCE: Norihiko Shimizu, "Today's Taboos may be gone Tomorrow," *Tokyo Business*, February 1995, p.50.

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### Cultural Differences between Japanese and American Social Life

American Society Dignity of Individuals	Japanese Society "In the Same Boat" Concept
Dignity of individuals	Human relations oriented
Individual work ethic	Dependence on the group
Great individual freedom	Lack of individual freedom
Respect for rules	Low regard for rules
An open and transparent society	A closed society, lacking in transparency
Multi-cultural society	Mono-cultural society
A society excelling in creativity and versatility	An orderly and uniform society
Individual decisions over consensus	Dependence on consensus
A society which pursues the ideal	A society which pursues harmony with reality

SOURCE: Norihiko Shimizu, "Today's Taboos may be gone Tomorrow," *Tokyo Business*, February 1995, p.50.

### Cultural Differences between Japanese and American Business

American Business	Japanese Business
Game concept: Business is a game in pursuit of profits under the rules of laws and contracts	Mutual trust-oriented business: business is based on trusting relationship among people rather than the rules of game
Efficiency-oriented and approximate accuracy simplicity, clarity, and quickness	Highly precision-oriented and perfectionism-high dependency on human awareness
Quantity-oriented	Quality-oriented
Short-term performance evaluation	Mid-to-long term evaluations
Easy layoffs, dismissals of employees, and selling of businesses	Job security

SOURCE: Norihiko Shimizu, "Today's Taboos may be gone tomorrow," *Tokyo Business*, February 1995, p.51.

### Cultural Differences between Japanese and American Business

American Business	Japanese Business
Top down management	Heavy dependence on human resources bottom-up management and teamwork
Low mutual dependence between employers and employees	High mutual dependence between employers and employees
Control of business by stockholders and the management	Joint management of business by Employees and Employers
Management by "force"	Management by "motivation"
Heavy dependence on machinery and technology, vs. Light dependence on human resources	Heavy dependence on human resources
Limited loyalty and incentive-oriented work ethics	Strong loyalty and fewer incentives
Excellent software-based technology development	Inadequate software development ability

SOURCE: Norihiko Shimizu, "Today's Taboos may be gone tomorrow," *Tokyo Business*, February 1995, p.51

### Hall's Silent Languages

- Language of Time
- Language of Space
- Language of Things
- Language of Friendship
- Language of Agreements

### Contextual Background of Various Countries

Low Context Explicit	Swiss	High Context Implicit
	German	
	Scandinavian	
	North American (US)	
	French	
	English (UK)	
	Italian	
	Spanish	
	Latin American	
	Arabian	
	Japanese	

### Exhibit 5.4 Transparency International Corruption Perception Index

Higher numbers correspond to a lower prevalence of bribe taking. Top 20 and bottom 20 are shown; see [www.transparency.org](http://www.transparency.org) for the most complete and up-to-date listings.

Source: Corruption Perceptions Index 2002. Used by permission of Transparency International, 2003. Index available at [www.transparency.org](http://www.transparency.org)

Rank	Country	CPI Score	Rank	Country	CPI Score
1	Finland	9.7	81	Albania	2.5
2	Denmark	9.5	81	Guatemala	2.5
2	New Zealand	9.5	81	Nicaragua	2.5
4	Iceland	9.4	81	Venezuela	2.5
5	Singapore	9.3	85	Georgia	2.4
5	Sweden	9.3	85	Ukraine	2.4
7	Canada	9.0	85	Vietnam	2.4
7	Luxembourg	9.0	88	Kazakhstan	2.3
7	Netherlands	9.0	89	Bolivia	2.2
10	United Kingdom	8.7	89	Cameroon	2.2
11	Australia	8.6	89	Ecuador	2.2
12	Norway	8.5	89	Haiti	2.2
12	Switzerland	8.5	93	Moldova	2.1
14	Hong Kong	8.2	93	Uganda	2.1
15	Austria	7.8	95	Azerbaijan	2.0
16	USA	7.7	96	Indonesia	1.9
17	Chile	7.5	96	Kenya	1.9
18	Germany	7.3	98	Angola	1.7
19	Israel	7.3	98	Madagascar	1.7
20	Belgium	7.1	98	Paraguay	1.7
20	Japan	7.1	101	Nigeria	1.6
20	Spain	7.1	102	Bangladesh	1.2

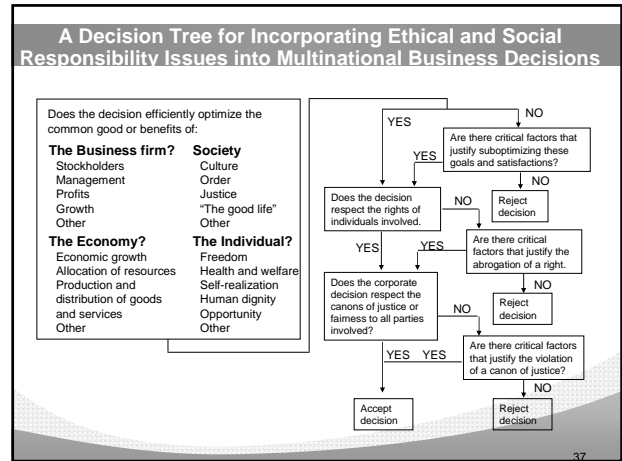
**Exhibit 5.5**  
Transparency International  
Bribe Payers Index\*

Higher scores correspond to lower levels of bribe paying internationally.

\*Based on responses to questions such as: In the business sectors with which you are most familiar, please indicate how likely companies from the following countries are to pay or offer bribes to win or retain business in this country (respondent's country of residence).

Source: www.transparency.org. Used by permission of Transparency International.

Rank	Country	2002	OECD Convention (as of 14 May 2002)
1	Australia	8.5	Ratified
2	Sweden	8.4	Ratified
2	Switzerland	8.4	Ratified
4	Austria	8.2	Ratified
5	Canada	8.1	Ratified
6	Belgium	7.8	Ratified
6	Netherlands	7.8	Ratified
8	United Kingdom	6.9	Ratified
9	Germany	6.3	Ratified
9	Singapore	6.3	Not Signed
11	Spain	5.8	Ratified
12	France	5.5	Ratified
13	Japan	5.3	Ratified
13	United States	5.3	Ratified
15	Hong Kong	4.2	Not Signed
15	Malaysia	4.3	Not Signed
17	Italy	4.1	Ratified
18	South Korea	3.9	Ratified
19	Taiwan	3.8	Not Signed
20	China (People's Republic)	3.5	Not Signed
21	Russia	3.2	Not signed



## Cultural Change

- First, determine which cultural factors conflict with an innovation, thus creating resistance to its acceptance
- Second, change those factors from obstacles to acceptance into stimulants for change
- Third, marketers can cause change by introducing an idea or product and deliberately setting about to overcome resistance and to cause change that accelerates the rate of acceptance
- Firms can use a strategy of planned change by deliberately changing those aspects of the culture offering resistance to predetermined marketing goals, e.g., introducing western foods and baseball into Japan