

World Business Deals: What to prepare for when handling business in collectivist countries

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Traveling around the world to conduct business is a great opportunity and is continuing to expand. The way business is conducted in other countries is not the same way it is conducted in the country of current residence people are in. Before traveling to the next country for business, it is best to prepare first by being educated on that country's norms, expectations, customs, traditions, culture, ethics, and values. That will ensure that business will be conducted in a smooth and efficient manner. This research paper will focus on how business is conducted in collectivist countries, because it is very different than individualistic countries, such as the U.S. People from individualist countries must familiarize themselves with the ways of business in collectivist countries to achieve success in business deals.

What is first and most important is to understand what a collectivist culture is and what is an individualistic culture. Collectivist cultures are "Closely linked individuals who see themselves as parts of one or more collectives (family, co-workers, tribe, nation); are primarily motivated by the norms of, and duties, imposed by, those collectives; are willing to give priority to the goals of these collectives over their own personal goals" (Hamamura, 2012). Individualistic cultures consist of "loosely linked individuals who view themselves as independent of collectives; are primarily motivated by their own preferences, needs, rights, and contracts they establish with others; give priority to their personal goals over the goals of others" (Hamamura, 2012). "Collectivism is a system of attitudes and values that differ from one another by the extent to which individuals are involved in the domain of social relations" (Realo et al., 2004). These definitions and explanations of collectivist cultures and individualistic cultures make it clear that collectivist cultures care more about the goals and benefits of the group, while

people in individualistic cultures care more about themselves to have the best advantages. This obviously affects the way business would be conducted in countries that are collectivist.

The first step in understanding business in collectivist countries versus individualistic is knowing which countries are considered collectivist and which are individualistic.

“Individualistic societies are found in Western Europe and North America, whereas collectivist societies are found in Asia, South America and Southern Europe” (Smith et al., 1998). African countries are also known to be collectivist, so is Saudi Arabia, Japan, China, India, and other Middle Eastern countries (Green et al., 2005), (Kienzler & Locker, 2015). Other individualistic countries are, Germany, Italy, United Kingdom, and Australia (Kienzler & Locker, 2015).

Typically, Western nations are individualistic and Eastern nations are collectivistic (Power et al., 2010). After possessing the knowledge of which countries are collectivist and which are individualistic, the next step is understanding the business strategies in collectivist countries versus individualistic countries.

Differences in business techniques in collectivist countries versus individualistic countries vary in communication, both verbal and nonverbal, the value of time, how to best work in business and do business deals, use in formalities, and the way social relations are formed (Kienzler & Locker, 2015). Collectivist countries are high power distant, whereas individualistic countries are low power distant (Smith et al., 1998). This means that respect and formalities of job title and job level status are used when communicating with people in collectivist countries (Smith et al., 1998). Individualistic countries are more relaxed on formalities and job status (Smith et al., 1998). This is important for people who are from individualist countries to know, that are looking to conduct international business, because the way of addressing and respecting

people from collectivist countries will need to be much more formal, respectful, and considerate, compared to how people are used to conducting business in individualist countries.

Collectivist countries highly value in-group harmony and non-confrontational strategies in conflict resolution, which tends to cause a less likely chance of having disagreement within a group, since collectivists are group-oriented (Smith et al., 1998). Collectivist countries have indirect confrontation because the belief is to save face, while in individualistic countries, disagreements are likely to be settled on the basis of direct expression of opinions, use direct confrontation, and use self-reliance (Smith et al., 1998). For collectivist countries, “A disagreement may be settled according to company rules, by reference to a superior or by relying on one’s own experience to judge when to back down and when not to do so” (Smith et al., 1998). This demonstrates how superiority and management are given a high status and great respect in collectivist countries.

Levels of individualism and collectivism as well as power distance in a culture will be used to determine how disagreements are resolved (Smith et al., 1998). When people from individualistic conduct business in collectivist countries, it is crucial to keep in mind of the skills, techniques, and methods used to handle disagreement, because it is essential to make sure it is not coming off as rude, direct, and selfish, since the priority has to be on saving face of others, maintain group harmony and peace, as well as speaking indirectly regarding the conflict (Kienzler & Locker, 2015). Otherwise, “Interpersonal disagreement may develop into full-blown conflicts, crippling the group and in more severe situations, leading to its disintegration” (Smith et al., 1998). That is clearly why conflict needs to be handled properly in a respectful manner.

Strong social relations are valued in collectivist countries, which makes it important to be aware that there are four basic models in social relations, which are communal sharing, authority

ranking, equality matching, and market pricing (Realo et al., 2004). These four basic models guide people's social initiatives and help them to understand and respond appropriately to the social actions of others (Realo et al., 2004). All facets of social life- interactions, distributions, and evaluations, can be represented as combinations of these four fundamental models and Collectivism emphasizes the importance of relationship maintenance (Realo et al., 2004). This is crucial for people from individualistic countries to concentrate on when conducting business with people from collectivistic countries, because it is necessary to cultivate a good social relation first and maintain it, to make good business deals with each other. Business in collectivist countries is not only about discussing business the whole time, but also to get to know the personality of business partners and learning who they are as a person.

The priority of goals is a key difference between individualistic and collectivist cultures (Power et al., 2010). "Collectivist cultures regard individuals as embedded within the group, while individualist cultures place more emphasis on an individual's autonomy and independence" (Power et al., 2010). People from individualistic cultures will place a higher emphasis on personal goals, achievement, self-interest, and competition, while "Collectivists consider the subordination of an individual's personal goals for the sake of the larger collective to which an individual belongs to and accomplish results through cooperation" (Power et al., 2010). "Individualists show less group loyalty; they give priority to personal goals over the goals of collectives" (Yuki, 2003). Collectivists make no distinction between personal and collective goals, but if they do, they subordinate their personal goals to collectivist goals (Yuki, 2003).

Collectivism places the group's rights and goals ahead of the individual goals and rights (Power et al., 2010). This is significant to remember and follow when conducting business with people from collectivist countries because it will be a much smoother and effective process to

make a business deal successful because the business partners from collectivist countries will appreciate that the goals of the group are being prioritized. It will look great through the lens of collectivistic people to have this skill of conducting business, where individuals are willing to sacrifice their own advantages, benefits, and personal interests, to concentrate on helping the group (Smith et al., 1998). This is not easy for people from individualistic countries to adjust to and can take some time to get used to it. A positive way to view this is that possessing the insight, mentality, and skills to prioritize group goals over individual goals is going to turn out to be a lot more successful in making business deals in the long run because these are the characteristics that collectivistic people are looking for when determining who to make business deals with. It is worth it, to be willing to adjust and adapt certain behaviors, mentality, and personality traits to make it fit in more similarly with collectivist cultures. The determination to learn and adapt to different styles and traits is a needed technique to conduct business all around the world.

There is a difference in personality and character traits for motivational values between people from collectivist countries and individualistic countries. Individualistic countries believe in having self-direction, intellectual autonomy, and leadership (Green et al., 2005). Collectivism is related to conservatism at the cultural level and to security, conformity, and tradition, at the individual level (Green et al., 2005). “The central theme of collectivism is conception of individuals as aspects of groups or collectives” (Yuki, 2003). It is without doubt that the organizing theme of collectivism is the centrality of the group (Realo et al., 2004). People from individualistic countries must keep this in mind when making business deals with those from collectivist countries since the focus needs to be on how the business deal will best benefit the business as a whole and as a group, versus what is advantageous for individuals.

Collectivist cultures are homogeneous and interdependent and individualistic cultures independent who pursue own interests and projects (Yuki, 2003), (Husted & Allen, 2008). In collectivist cultures, people will sacrifice task achievement for the sake of good social relationships with others, while the opposite happens in individualistic cultures (Husted & Allen, 2008). Collectivism considers a group as the primary unit of reality and requires that individuals sacrifice themselves for the alleged interests of the collective (Power et al., 2010). Collectivist cultures regard group duties and norms with great respect and are interdependent when making decisions rather than deciding based off personal beliefs and rights (Husted & Allen, 2008). People from individualistic societies focus on taking care only of themselves and their immediate family, but in collectivistic societies, individuals remain tightly integrated into groups and are supposed to let the interests of the group prevail over their own interests (Hoorn, 2014). People from collectivist cultures identify and define themselves in terms of group membership, since collectivism emphasizes group membership and individuals' loyalty to their groups (Husted & Allen, 2008), (Hoorn, 2014). When making business deals with people from collectivist countries, remember to remain committed and loyal to business partners.

In terms of following norms in society, "Collectivists place greater emphasis on social norms and expectations and the roles they fulfill in relationship to others" (Husted & Allen, 2008). An example is that India is a highly collectivist country that places tremendous importance on the extended family (Husted & Allen, 2008). Since collectivistic values focus on interpersonal relationships, people from individualistic countries should concentrate on building a strong social bond with business partners first during a meeting, before jumping right into business (Yuki, 2003), (Kienzler & Locker, 2015). Collectivist countries value getting to know business partners than solely discussing business with them. Prioritizing group goals and forming

a valuable social bond with people is something individualistic countries need to get used to in order to make successful business deals with collectivist countries.

Ethics and morals in business are conducted differently in collectivist countries than how it is in individualist countries. For example, software privacy is more common in Asia than in the United States (Husted & Allen, 2008). In Japan, a collectivist country, job security is a more important ethical concern than in Canada, an individualistic country (Husted & Allen, 2008). “Ethical decision making refers to discretionary decision-making behavior, which “determine[es] how conflicts in human interests are to be settled and...optimiz[es] mutual benefit... [for] people living together in groups” (Husted & Allen, 2008). There are three principal moral domains around the world, which are the ethics of divinity, community, and autonomy (Husted & Allen, 2008). “Individualism and collectivism influence the decision-maker's inclusion of a business practice within the moral domain” (Husted & Allen, 2008). This is essential to for people from individualistic countries to be aware of, so morals can be applied in the correct format when conducting business with collectivist countries.

It is useful and necessary to understand the impact of culture on ethical perceptions, judgments, and behaviors to work with individuals in multicultural teams or deal with negotiators from different cultures (Husted & Allen, 2008). For example, deviance from group norms is tolerated much less from people in collectivistic cultures than by people in individualistic cultures (Husted & Allen, 2008). “Ethical decision making is affected by individualism and collectivism because they deal with beliefs about the priority of individual versus group interests” (Husted & Allen, 2008). This must be taken highly into consideration when people from individualist countries conduct business with collectivist countries because business ethics is very serious. If people from individualistic countries do not follow and adjust

to the ethical and moral values of business the way it is done in collectivist countries, there is no way a business deal will go through. Many things are put into stake from that since judgment on character could happen, such as not being seen as an ethical person and as a business. It can ruin the reputation of a business since collectivists would not want to make business deals with a company viewed as unethical and unreputable.

Collectivist cultures have a high level of trust amongst each other, which is important because trust plays a productive role in social exchange in society (Hoorn, 2014). “Collectivism relates to how widely people are willing to trust or the extent to which interpersonal trust is affected by group boundaries” (Hoorn, 2014). Trust is something that many people struggle with, especially in individualistic countries, but it would be easier for collectivists, since it is trusted that no one would do anything to cause harm and deception. When people from individualistic countries conduct business with people from collectivistic countries, there should be good faith in business partners and trust what business partners are doing is right for the business deal. It will not look good through the eyes of collectivistic people if there is a sense that others are skeptical of them, such as thinking they would deceive them in the business deal later and would benefit themselves only from the business deal to make the other person suffer. There needs to be mutual trust at a strong level amongst business partners, in order to handle business deals in the most efficient way.

Moving on to the communication styles for both verbal and nonverbal communication, comprehending the methods of collectivist countries for communication styles is one of the most important aspects to understand and be aware of for conducting business with collectivist countries. Collectivist countries are high-context whereas individualistic countries are low-context, in terms of communication style (Kienzler & Locker, 2015). High-context means that

most information is inferred from the social relationships of people and the context of a message, while low-context has information stated clearly, directly, and in detail (Kienzler & Locker, 2015).

The reliance of nonverbal signs to communicate is heavily relied on in collectivist countries versus individual countries (Kienzler & Locker, 2015). That makes it essential for those from individualistic countries to learn about the nonverbal signs of communication that collectivist countries use, to be able to comprehend the cues and nonverbal messages that are being conveyed. An example of nonverbal communication is eye contact and expression. In China, widening of eyes is a sign of anger (Kienzler & Locker, 2015). Countries such as Japan and Nigeria do not make direct eye contact when speaking to others, especially to those in a superior position, because it is seen as respectful to avoid eye contact (Kienzler & Locker, 2015). Differences could lead to miscommunication, which can make superiors feel that subordinates are being disrespectful, while at the same time, subordinates are being fully respectful according to the norms in their culture (Kienzler & Locker, 2015). For body language, it is disrespectful in the Middle East to sit with the bottom of the shoe facing up towards other people, which is something that people from individualistic countries frequently do since there is not a social norm about that, and pointing fingers at people must be avoided (Kienzler & Locker, 2015). Nervous gestures such as fidgeting with a tie, jewelry, or hair, tapping a pencil, and swinging a foot is looked down upon in Japan, for example, since Japan values the ability to sit quietly (Kienzler & Locker, 2015).

The exchange of business cards is something that matters a lot for the way they are exchanged in collectivist versus individualistic countries. In Middle Eastern countries, business cards are exchanged with the right hand only since the left hand is considered unclean (Kienzler

& Locker, 2015). In China, business cards are exchanged with both hands and are put in a card case, and they should never be put in a pigskin case (Kienzler & Locker, 2015). In India, leather cases should never be used for business card cases, and the business cards could even show the graduate degrees, since education is valued a lot in India (Kienzler & Locker, 2015). North Americans typically put family name last in writing, while Asian countries put family name first (Kienzler & Locker, 2015).

Even the way other languages are read and written have interesting differences, such as how Arabic is read and written from right to left and English is written and read from left to right. People from individualistic countries must realize the differences of nonverbal communication and the way other languages are, to be able to act as respectful as possible to the norms and culture of collectivist countries, because the types of behaviors that are considered typical and respectful for individualistic countries are not the same in collectivist countries. For clothing, certain colors have a particular meaning in different countries and some colors are not considered appropriate to wear when it does not match what the event is about (Kienzler & Locker, 2015). For example, China associates red with good fortune, while Korean Buddhists use red to announce death; black is the color joy in Japan but the color of death in the United States; white is the color of funerals in Eastern countries but is the color of brides in the United States (Kienzler & Locker, 2015). Learning about the meaning of colors for clothing that other countries associate a specific color with is a must and necessity. Each collectivist country has its own unique and original set of customs and norms for nonverbal communication, language, and meaning to colors that differ from other collectivist countries. Thorough education on nonverbal communication and the language of a collectivist country must be carefully studied ahead of time, to be best prepared for conducting business with collectivist countries.

The way agreements are made differs between collectivistic and individualistic countries, which is something that must be noted, since agreements are a highly important stage for making business deals. In collectivist countries, such as Saudi Arabia and Japan, for example, agreements made orally are considered binding versus agreements in writing (Kienzler & Locker, 2015). This is very different and could be surprising for those from individualistic countries, such as Germany, since agreements in writing are binding and oral agreements are not binding (Kienzler & Locker, 2015). This also applies for North American countries, where having agreements in writing is heavily emphasized and given high importance.

The perspective of how time is used in collectivist countries is crucial for people from individualistic countries to get used to and gain more patience for. Collectivist countries are considered polychronic cultures and individualistic countries are monochronic cultures (Kienzler & Locker, 2015). Polychronic cultures are more relaxed about how time is spent and do not always have a timely structured schedule (Kienzler & Locker, 2015). People from polychronic cultures often show up late to events and meetings, spend time getting to know business partners before discussing business, and frequently try to multitask (Kienzler & Locker, 2015). This is something that differs a lot from monochronic cultures, since it is believed that time is money, so forming social bonds with business partners are not seen to be as important compared to monochronic cultures (Kienzler & Locker, 2015). Schedules are made to be followed in orderly fashion by the exact time given to show up to meetings and appointments and focus on handling one task at a time, in monochronic cultures (Kienzler & Locker, 2015). In Brazil and Saudi Arabia, for example, time spent on family and friends are extremely important, so phone calls and even visits from family and friends might interrupt business meetings (Kienzler & Locker, 2015). This could potentially irritate people from individualist countries, so this great difference

of time use in collectivist countries is especially tricky and difficult for people from individualistic countries to adjust to, since it requires a lot of patience and flexibility to changes in schedules and plans for a day.

There are many different styles of conducting business in collectivist countries that are important to apply. It is essential to follow them in order to ensure grand success in making business deals with collectivist countries. It may seem difficult to adjust to at first, but with practice and education, it is possible to adapt to new techniques, and is definitely worth it to grow and expand business knowledge, practices, and success. There are many interesting aspects to collectivist countries' techniques and strategies of conducting business from the use of verbal and nonverbal communication, the way ethics is viewed, different types of clothes with certain colors appropriate to the culture to be worn for business, prioritizing group harmony and goals, and having a unique and original set of norms, customs, and expectations to conduct business based on the country's traditions and culture. Exposure to diversity in different countries is important, especially when growing, expanding and developing a business internationally, which is common nowadays. That is why it is even more critical to be prepared in advance about what to expect and how to act when conducting business in collectivist countries, to be able to thrive and reach the full potential of having success in business. After time and practice from adapting to the ways of conducting business in collectivist countries, making successful business deals all over the world will come easier and more naturally.

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