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**Managing Cultural Differences in  
International Business  
Indian & Italian Multicultural Encounters**

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## **Contents:**

<b>List of figures</b> .....	5
<b>Introduction</b> .....	6
<b>1_ Getting to know “culture” and the international business environment</b>	
1.1 From Culture to Multiculturalism.....	9
1.2 The Hofstede study.....	11
1.3 Power Distance.....	13
1.4 Individualism vs. Collectivism.....	16
1.5 Masculinity vs. Femininity.....	19
1.6 Uncertainty Avoidance.....	22
1.7 Pragmatism - Long Term Orientation vs. Short Term Orientation.....	24
1.8 Indulgence vs. Restraint.....	26
1.9 Findings.....	28
<b>2_ Fundamentals of cross-cultural interaction: “Do not let stereotypes drive your business”</b>	
2.1 How stereotypes work: Perception and Categorization.....	30
2.2 Prejudice, Race, Difference and Othering.....	34

2.3 Stereotypes and cultural paradoxes: what people think about Italians and Indians.....	35
2.4 Self-fulfilling stereotypes and stereotype's threat.....	42
2.5 How to break stereotypes.....	44
2.6 Findings.....	46

### **3\_ Cross-cultural negotiations**

3.1 Trust and culture.....	48
3.2 The negotiation process and its main steps.....	52
3.3 Preparation and planning.....	53
3.4 Relationship building.....	58
3.5 Exchanging information.....	59
3.6 Persuasion.....	62
3.7 Concession and agreement.....	63
3.8 Negotiating with Indians and Italians.....	64
3.9 Negotiation challenges.....	69
3.10 Findings.....	73

### **4\_ Diversity issues: from multicultural teams to global leaders**

4.1 Why diversity.....	76
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4.2 Application of diversity in India & Italy.....	79
4.3 Promoting integration.....	83
4.4 Defining global leaders for global teams.....	84
4.5 The Globe.....	89
4.6 Indian & Italian leadership style.....	91
4.7 Findings.....	95
<b>5_ Ethics away from home</b>	
5.1 Defining business ethics and its complexity.....	98
5.2 Bribery and corruption.....	101
5.3 Corporate social responsibility (CSR).....	108
5.4 Making ethical decisions.....	111
5.5 Findings.....	113
<b>6_ Application of the theory on a practical example: Beltapharm and its business partnership with Strides.....</b>	<b>114</b>
<b>Conclusions.....</b>	<b>123</b>
<b>References.....</b>	<b>129</b>

## List of figures:

<b>Figure 1.1</b> Italy and India comparison.....	12
<b>Figure 3.1</b> Responsive strategies.....	57
<b>Figure 3.2</b> Expectations of upfront relationships.....	72
<b>Figure 3.3</b> Understanding of negotiations.....	72
<b>Figure 4.1</b> Leadership styles around the world.....	89
<b>Figure 4.2</b> Indian and Italian leader styles.....	90
<b>Figure 5.1</b> The perceived levels of public sector corruption around the world.....	101
<b>Figure 5.2</b> Italy and India ranking list.....	102
<b>Figure 5.3</b> Corruption level in the 15 top Italian companies.....	104

## **Introduction**

This research aims to investigate and demonstrate the role of culture in affecting and shaping business relationships among different countries. The cross-cultural approach used is a branch of comparative management, which focus on culture as the main object of study. Culture can be a significant barrier in doing business; managers from different nationalities that have to agree on a particular deal, for example a business negotiation, have to cope with distinct sets of references and values. It might be very hard to carry on a business relationship, especially a long-term one, if there is not any affinity on the cultural level. Research's main subjects are Italy and India, due to an increasing mobility of Italians in India and vice versa for business purposes. Italy started entering the Indian market in the 1990s and so far, more than 400 Italian companies and legal entities settled in the main industrial centres, Delhi, Mumbai, Chennai and Bangalore, mainly through joint ventures, private owned companies and commercial representative offices. Through the chapters the main components of international managers will be researched with constant attention to Indian and Italian cultural similarities and differences, also investigating the main reasons.

The first chapter will explain why it is important for a manager to get to know culture; it will seek to develop national self-awareness and knowledge of the counterpart's culture. It will also reflect on culture's main characteristics and its role in everyday society, wondering if cultures are still defined and different from one another or if multiculturalism is toning down differences towards an unvarying global environment. The second chapter will tackle stereotypes and how they can negatively drive a business relationship. Managers will be given some suggestions to get to know stereotypes held from the counterpart and on the counterpart. Some ideas will follow in order to break stereotypes and do not let them affecting business. The third chapter concerns one of the most critic business operations among different countries: negotiation. From the planning process to the final agreement, all the potential difficulties will be analysed and some responses drew. Chapter four is

meant to spread the positive outcomes that come from implementing diversity policies within the company. It will also outline different perceptions on leadership among cultures and define what makes a leader able to guide global and multicultural teams. Chapter five will explore ethics and all problems related to different understandings of rights and wrongs around the globe. In particular, it will deal with corruption and corporate social responsibility in order to help managers coping with these critic issues when doing business abroad. Chapter six will present an interview of an Italian pharmaceutical company, Beltapharm Spa, aimed to research its experience with its Indian counterpart, Strides Arcolab. The questions sought to highlight the main difficulties and problems identified by the interviewees in relating to their Indians peers. Conclusions will sum up the main responses to contrast cultural barriers focusing on developing a cultural intelligent approach as main goal. A cultural training developed by Deutsche Bank will be presented along with some suggestions to improve that approach.

The case studies used as examples will range from different countries, in order to have a global understanding of the issue, but the main focus is on the bilateral relationship between India and Italy. In every chapter a confrontation between the two countries will be put into the foreground and will be founded on researches, latest news, recent conferences and personal experience.

# CHAPTER I

## Getting to know “culture” and the international business environment

*“Intercultural contact will continue to increase, creating an increased potential for both conflict and cooperation.”*

(Martin and Nakayama 2010, p.20)

The first chapter will try to answer some of the cultural problems managers face while doing business between Italy and India. It will provide a general framework about Indian and Italian culture - differences and similarities, which might be interesting for managers or whoever finds himself/herself doing business with one of these countries. Firstly a brief excursus on culture and multiculturalism will be drawn in order to better understand the concept of culture, its characteristics and how it affects business. Secondly, a systematic study will be used in order to picture Italian and Indian cultural peculiarities. The study will be presented along with its critics, for this reason it has to be considered only as a basic tool that must be gradually implemented by everyone's own cultural knowledge and intercultural achievements.



## **1.1 From Culture to Multiculturalism**

The concept of culture is far from being defined in an exhaustive and clear way and countless definitions can be found. “The term *culture* is employed as a label for the collective life experience of commonly recognizable large groups, such as national and ethnic/racial groups” (Kim 2001, p.140). In a more simplistic way culture has been defined as “everything that people have, think, and do as members of their society” (Ferraro 2010, p.20). The author uses the verbs have, think and do in order to identify three major components of the concept of culture, including material objects (have), ideas, values and attitudes (think) and patterns of behaviour (do). He talks about society because a culture acquires meaning only if people share it.

Especially in today’s world, where the barriers between nations and the obstacles to the movement of people are being gradually removed, people should try to depart from conceiving culture in terms of nation-state. Instead, the focus should be shifted towards the innovative ways in which the concept of culture is translated and enriched through the multiple encounters and interactions taking place in the modern workplace. Technology and globalisation have led to a multicultural work environment. In order to create a productive and positive workplace, all workers must feel part of the community. Workers must enter into hybridity and challenge cultural power relations within the modern workplace. However, hybridity can never be a question of “simply shaking hands, of happy, harmonious, merger and fusion” (Ang 2003, p.149). People must learn to live with difference and promote “togetherness in difference” in order to avoid intercultural conflict and miscommunication. The main strategies for society to work towards, in order to transcend cultural power relations, are multiculturalism and hybridity. Multiculturalism has been defined as the “harmonious co-existence of different groups in a pluralist society” (Cashmore 1996, p.156). As Ang (2003, p.149) argues, “It is precisely our encounters at the border – where self and other, the local and global, Asian and Western meet – that makes us realize how riven with potential miscommunication and intercultural conflict these encounters can be”.

Culture has an important role in business management because it shapes functional aspects. Unfortunately it can bring to negative assumptions, especially between very different ways of working. The only way to perceive differences as opportunities, instead of problems, is using a cultural intelligent approach (it will be studied in the conclusions). This approach can be embraced only through the development of certain abilities, first of all a critical analysis of one's own culture. Before considering someone else's culture, what is required is a good national cultural self-awareness. In order to succeed in providing a detailed and exhaustive depiction of a culture, individuals must to step back and become aware of their cultural values, beliefs and perceptions. No culture is objectively superior or inferior, better or worse than others but people tend to judge something different as something wrong. Analysing one's own culture is quite tricky because people tend to consider the way they think and behave as the "only, normal and correct" way. Sometimes people are not even aware of their own values because they grow up with them and fail to understand that other people may not share them.

Two important different perspectives emerged as antagonistic, the first defines culture as something that can be systematically studied, the second perspective refuses this idea stating that a study of this type would result too superficial and trivial. As Holliday (2010, p.17) pointed out, following a systematic study of cultures could bring people to assume that national cultures are static, well-defined solid entities and all people carry the same attitudes and beliefs. According to him, Taylor stated that cultures are not monolithic and static, rather they are constantly evolving and transforming (Taylor 2003, pp. 543-555). Thinking about a vast country like India, with more than one billion people and one thousand dialects, depicting a national culture is not only very hard but also unrealistic. At this respect an essentialist definition of culture appears to be constraining and precarious. It does not recognize all the specificities and repertoires present in every cultural system, as if it was an "integrated whole" (Holliday et al. 2010, p.65). Probably it is more accurate to talk about general characteristic behaviours that can be found among a particular population rather than a national culture.

## **1.2 The Hofstede study**

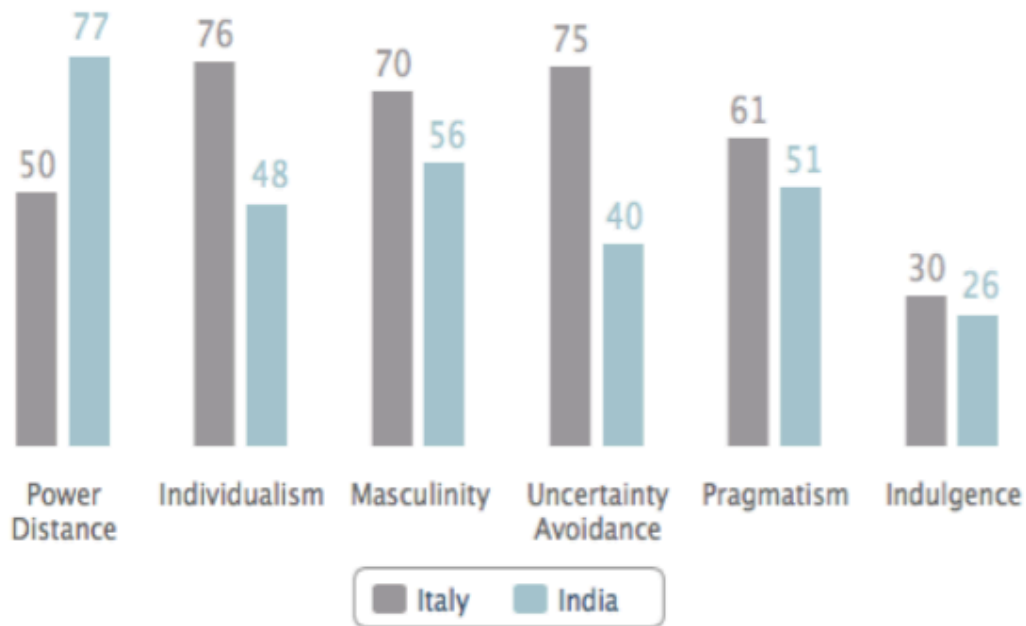
The systematic study I am about to introduce is recommended just in order to have an insight into different cultures; every theoretical consideration will be explained and enriched with practical examples. It does not aspire to be the definitive truth about Indian or Italian culture and, relying only on it, would result too superficial and generalist. The study was realized by the social scientist Geer Hofstede, author of “Cultures and Organizations: Software of the Mind” and founder of comparative intercultural research. Through interviews and collection of data, from more than 60 countries, he aimed to obtain an inclusive description of national cultures that could help people with intercultural relationships.

The main critics stress the Hofstede's ambition to uncover all the distinctive traits of a national culture with only six categorizations and an analytic research. Some of them perceive national cultures in a different way, such as Anderson nations' description in his famous “Imagined communities” (Anderson 1991); others refuse the idea of “measuring” cultures, as talking about a scientific discipline. A few critics stress the inadequacy of information, since in more than 15 countries Hofstede's questionnaires gathered data from less than 200 people (McSweeney 2002, p.94). Using a moderate and reasonable point of view, the Hofstede's dimensions of national cultures can be extremely helpful to analyse and compare Italian and Indian culture. He derived six specific dimensions of cultural values in order to study and compare different national cultures. Each dimension will be explained with examples that run from the past to nowadays in order to reflect the Italian and Indian reality. The six dimensions are:

1. Power Distance
2. Individualism versus collectivism
3. Masculinity versus Femininity
4. Uncertainty Avoidance

- 5. Long Term Orientation versus Short Term Orientation
- 6. Indulgence versus Restraint

**Figure 1. Italy and India Comparison**



Source: Adapted from Hofstede (2001)

The figure above shows a comparison between India and Italy based on data collected by Geer Hofstede. Each element will be explained in details afterwards. Just taking a quick look it is easy to figure out some common elements (such as Indulgence) and differences (such as Uncertainty Avoidance).

### **1.3 Power Distance**

What happens when egalitarian cultures find themselves doing business with hierarchical ones? Shall egalitarian cultures treat the boss of a hierarchical culture with respect or play down his/her importance?

This first dimension is also called equality-hierarchy dimension. It focuses on the right way to interact with people with different levels of power. It is possible to identify many countries, such as Australia or the United States, that minimize power distance, and others, such as Italy or Japan, that expect power hierarchies to be maintained. Common characters of egalitarian cultures are informal social relations, low status difference, a certain power diffused to many people and little deference for superiors. On the other hand, hierarchical cultures concentrate power in few people, use formality as synonymous of order and respect and superiors are considered with great deference.

**Italian culture** appears to be rather hierarchical. The relationships between people on different power levels are very formal and Italians are very strict about respecting them. On the workplace or in a university environment, managers and professors are always supposed to have the right answer. Even the language reflects respect and formality, Italian, in contrast with English, has two different ways for addressing someone, a formal you, “lei”, and an informal one, “tu”. This implies a linguistic choice that shows power distance. Usually relationships between strangers start using the formal way “lei” until the parts verbally agree to switch to the informal way. Taking a look to the Hofstede’s graphic, it appears that Italian score, related to power distance, is 50. This score is explained as the encounter of two different ways of behaving. The most formal is that of old generations; now the majority of new generations that face the work environment was educated or spent significant time abroad where they experienced a more informal way of working. New generations prefer informal relations between members of the same team group as synonymous of sincerity and honesty.

**Indian culture** appears to be more hierarchical than the Italian one. It scores high, 77 on the Hofstede's graphic. It is one of the highest score of all countries compared to the world average of 56.5. This score shows a high level of inequality of power that is accepted by the population as a cultural norm. It has to be explained through Hinduism and the tradition of the caste system. Both have shaped the society in precise hierarchical structures that are still observed nowadays.

Indian culture, more than the Italian one, reflects the power distance also through the language. Hindi is structured in such a way as to ensure that one's status is reflected in the construction of the sentence. For example, it is very strict about the way to address to someone. The English "you" can be expressed in three different ways. The most informal, तू (too), is used only towards children or people very close to the speaker, the other way, तुम (tum), is used to chat with family and friends, and the most formal one, आप (aap), is used to show great respect and politeness, especially with people that you meet for the first time or old people. If a non-Hindi speaker wants to address to someone using these pronouns it is very important to know which one fits the current occasion because the use of the wrong one could be considered very offensive. Moreover, often Hindi speakers use a particle, जी (ji), after names or working positions that reflects great respect. While talking in English, it is important to use a person's title, such as Doctor or Professor or Mr/Mrs/Miss for those without a professional title.

Power distance is also reflected through the division and concentration of power in few people and little delegation of authority. Upper status people are expected to maintain their high status and prestige, for example in a university or working environment, head master or manager's decisions are never brought into question. Their authority is always respected from lower status people.

As said before, Indian power distance has its own roots in the caste system that shaped and still influences the entire population. The categorization of people developed though history in different ways and different cultures – even in the Italian culture with the ancient Roman

subdivision of people in specific classes. The Indian caste-system did not spring fully developed into existence. It is not an artificial product but a natural growth that never stopped. People have been settled in specific castes due to their social status; power distance is reflected through behavioural differences and discrimination between one caste and another. The caste system is not fixed and immutable, people have the possibility to move from the lowest caste to the upper one. The caste system has many implications even in business, Indian government had to establish specific quotas in order to force companies to hire dalits (known also as “untouchable”) and the Confederation of Indian Industry introduced “dalit-friendly” measures, such as scholarships for low-caste students. Widespread is the consideration that the caste-system does not exist anymore and it is an antique traditional practice. Article 15 of the 1949 Indian Constitution prohibits any discrimination on ground of caste. Fighting caste discrimination on the Constitution means, on the other hand, awareness that this practice is still detectable nowadays.

### **Implications**

Italian and Indian culture should not have particular deals related to power distance. At the beginning managers should use a common path based on formal relations, since both cultures appreciate respect and politeness towards strangers. Once the parties get to know each other, a more informal behaviour shall be implemented. If it is unequivocal that Indians are used to formal addressing ways, it is even truer that they love to enjoy the time outside the work environment with the business counterpart. Italian and Indian cultures get along with this way of doing business; never deny a chai (tea) to your Indian counterpart or an espresso to your Italian one. Both are occasions to get to know each other in a more relaxed and informal way.

Implications can occur if both the highest positions struggle to arrange an agreement and none of them cooperate to manage a compromise. This problem can occur when both positions consider their decisions as the right ones and, due to their prestige, have difficulty to meet the counterpart’s opinion or request. Every step has to be taken with great caution and prudence without letting the boss thinking that his/her position is being underestimated.

#### **1.4 Individualism vs. Collectivism**

This dimension studies the way a culture emphasizes the individual over the group (individualism) or, on the other hand, the way it creates a strong connection between the individual and the group so that the interests and wellbeing of the group is definitely more important (collectivism).

In individualistic cultures, such as the United States or Great Britain, success is attributed to one's own ability; the most important values are independence and autonomy and business relations are characterized as casual connections to many groups. In collectivist cultures, like Japan, group's goals are more important than individual's goals and success is attributed to the group. Business relations are strong only towards a few groups and are considered very important.

**Italian culture** appears to be individualistic on the Hofstede's graphic with a high score of 76. As his research suggests, the result must be studied in depth because it shows two realities slightly different: that of North Italy and that of the South. The connection of the single toward his/her group has always been important in Italy since this culture emphasizes the family value. For Italians, family is the first and most important connection and family members are the only ones that an Italian will always be linked to.

Something is changing in the North, where people working in the biggest and developed cities are more motivated by their own purposes and achievements. In the South the collectivistic dimension can be perceived deeper, as Smolicz (1981, pp.75-90) stressed in his ethnic and racial studies, the loyalty that southern Italian families demand from their members is so exclusive that it precludes allegiance to other social institutions.

**Indian culture's** score is lower, 48 on the individualistic scale. This intermediate score sums up the individualistic aspect, found in the dominant philosophy, Hinduism, and the collectivistic one, the importance of the affiliation of an individual to a certain network. Hinduism epitomizes individualism, as Hindus believe in the cycle of death and rebirth in



which every rebirth depends only on the way the individual behaved during his preceding life. As Noolkar (2013, para.1) pointed out, Hinduism allows to choose one's own God among 33 million, one's own individual practice and one's own pilgrimage centre. Religion is not the only example used, others run from politics and sport to cinema, showing how the individual charisma, instead of skills and abilities, does earn profits. Indians worship and remember actors instead of the plot or the title of the movie, it is only the most famous Bollywood actor who makes people going to the cinema; same for politicians instead of party ideologies.

The collectivistic dimension is reflected through the importance for the individual to be linked to his/her group, often represented by the family, a very important tie in Indian tradition. In many areas of the country joint families still exist and husbands use to share their house with their parents and wife. The exclusion of the individual from his/her family group is equivalent to a sense of shame and dishonour.

### **Implications**

Implications between Italian and Indian culture could emerge on different perspectives. As reported by Donaldson (1996, p.56) some Indian companies offer the opportunity to their employees to hire their sons. This practice is maintained even if other applicants are more qualified than employees' sons. An Italian manager, who is not familiar with company's employees and internal connections, would interpret this practice rude and unethical. The explanation is that in individualistic societies nepotism is frowned upon whilst in collectivistic countries it is a normal and functional practice. According to Donaldson, the reason must be found in the important value of family in Indian culture and the desire to put it first, instead of business. If an employee works hard and is appreciated on the workplace, why should not the manager award him/her hiring one of his/her relatives? Nowadays this practice works in Italy too, where most of the best careers opportunities are offered only through connections. By the way it is considered against meritocracy and between managers with different cultures it must be avoided unless people do not know each other since a long time.

Both cultures emphasize the link towards the family, in collectivistic culture it is recommended to show the same loyalty and respect towards the company. Often companies need to spend a lot of time to build strong and long-term relationships in order to do business, that is because collectivistic cultures privilege less but stronger relationships. Italian managers should be conscious of that and ready to spend energy nurturing these relationships. As said before, India is not completely defined as a collectivistic or individualistic culture, for this reason Italian managers should use caution also holding incentives to a single employee if he/she works in a group. This reward could be considered awkward in front of the group and could demoralize the colleagues.

## **1.5 Masculinity vs. Femininity**

This dimension studies the relationship between masculine and feminine cultures. Masculinity describes societies in which men are expected to focus on career success and material rewards whilst women are supposed to be more concentrated on the quality of life and on building strong relationships. On the other hand, femininity stands for societies in which there are no differences in role gender, men and women can both be focused on their career or the quality of their time.

An example that differentiates the two societies is the expectation that people have on children, high masculine society expects boys and girls to behave in different ways, girls are expected to cry more than boys, whilst the low masculine profile sees them as equal, boys can cry or fight as well as girls. Interesting is the American advertisement “The Sneaky Ways We Keep Girls Away From Science”, addressed to parents, that invites them to promote, instead of discouraging, their daughters to love science and technology. A research showed that 66% of 4<sup>th</sup> grade girls like science and math but only 18% of all college engineering majors are female. The advertisement reflects the American expectations towards women (USA scores 62 on the masculinity dimension) and how the family influences children's success and career orientation.

**Italian culture** scores 70 on the Hofstede’s graphic, a high score that announces a masculine society. Italian score finds an explanation through the history of the first half of the 1900's. On 1909 the Futurist Movement, an artistic and social movement founded by Marinetti, promoted values such as courage, dynamism, speed and technology. Then the fascist regime, through the dictatorship of Benito Mussolini, intended to idealize the new Italian citizen stressing values such as virility, strength and restraint. The regime advocated traditional gender roles and the relegation of women to the house sphere, where they could exercise their roles of wives and mothers. After fascism Italians re-adapted in a new context, on 1946 Italian women gained the right to vote and gender equality gradually started to grow.

Taking a look to the 2000's, competition and success are the key words that Italians get used to since elementary school. On the workplace, career competition is highly perceived and the most important goal for an individual is to be a winner; this explains why most Italians put the achievement of their own career before family. Even more important is the possibility to show people success through material wealth that can run from buying the new most expensive car to being on vacation in an exotic island. Related to gender roles, nowadays women do work as men but a certain hierarchy still exists and women in high positions are just a few. According to Openpolis, a civic observatory on Italian politics, 80% of institutional office is in the hands of men. Even if women work, their role in the household is very clear, they are expected to take care of the house and children. On the other hand Italians work in order to live and do not live in order to work; they struggle to get good results at the workplace or at school, but they also love to relax and enjoy free time.

**Indian culture** scores 56 on the masculinity graphic. Taking a look to the historical context, it is possible to outline how Indian nationalism stressed certain masculine tendencies and values in response to colonialism. The nationalist Indian organization “Rashtriya Swayamsevak Sangh” developed a kind of character training through Hindu discipline to counter British colonialism. The organization drew inspiration from European right-wing groups, such as Italian fascism, and sought to react to colonialism. English colonialism sustained that Indians were not “manly enough” for self-rule and rational thinking. Women have been victims of patriarchal and androcentric customs for centuries; referring to the tradition of Hinduism, women are idealised through several myths and epics. Sita, the female character of one of the main Indian epics, the Ramayana, represents the ideal woman; faithful, humble and tolerant.

Nowadays the score represents men's need to exert influence and control and the belief that women should be bound by traditional gender relations. A study, conducted by the International Centre for Research on Women in partnership with United Nations Population Fund, found two dangerous consequences of masculinity in India: son preference and intimate partner violence. Son preference is rooted in Indian culture as synonymous of

family economic security; men who are rigidly masculine are more likely to have preferences for sons. The study found that men who experienced childhood discrimination tend to perpetrate violence in situations of high economic stress.

It must be said that the score is not very high and two different realities can be pictured, the rural areas where women are still considered related to the house sphere; and the modern developing cities, where the number of women engaged in high status work positions is increasing. As stated by Mihalca in “Feminine India, masculine China” (2004, para.2), visiting the ICICIs the author was surprised by the high number of women executives in senior management ranks. He did not deny that gender discrimination does exist in India but, on the other hand, he pointed out the fact that women enjoy a different status in India than in China. Moreover, being India a country characterised by many religions and philosophies, humility and abstinence are important values widespread through centuries.

### **Implications**

Italian and Indian cultures, having both a masculine profile, should not meet particular obstacles in doing business. Both define success in terms of career, status and material rewards instead of personal growth and quality time. Both cultures have a strong family value tradition and, even nowadays, role gender is well defined. Italy and India are moving towards a levelling but this process will require time and, especially for rural India, the formation of an androgynous society, composed by humans instead of men and women, remains an unrealistic idea.

## **1.6 Uncertainty Avoidance**

This dimension reflects the extent to which members of a culture are threatened by the unknown, for example by the future, and perceive anxiety every time they face ambiguous situations. Cultures differ in the way they can tolerate risk, ambiguity, uncertainty and how they adapt to future. Some cultures react being very tolerant and recognizing that risks exist and must be faced. Other cultures are extremely scared by ambiguous situations and try their best to avoid them, for example maintaining strict rules and providing security measures. Cultures can be divided into two groups: Change-Embracing Cultures and Change-Fearing Cultures.

Change Embracing cultures, such as the United States or Singapore, tend to live day by day, do not consider the rules as very strict, think that conflict is natural and are not worried by change. Change-Fearing Cultures, such as Greece and Japan, are very anxious about the future; they always try to avoid risks, to organize every detail and to formulate formal and strict rules.

**Italian culture** is definitely a change-fearing one. Italians are afraid of any change that crosses their path. For example, on the workplace, it is very common for an Italian to remain in the same profession for a lifetime. Even if they do not really appreciate their job, they are more scared by the changes that a new job could bring into their lives. The typical image of the American worker, who changes office, with all his/her belongings in a box, is completely unusual in Italy. This view on the Italian culture is mirrored by the Hofstede's graphic with a score of 75. As a response to this fear, Italian bureaucracy is always very detailed and long. On the work place every ambiguous point is discussed in order to predict eventual risks and to be able to face them.

**Indian culture** is definitely a change-embracing one. It scores 40; this low level of uncertainty avoidance reflects a culture that is pretty comfortable with risks and ambiguities. Nothing has to be perfect and tolerance for the unexpected is high. On the workplace people are not used to plan every detail and do not fear eventual problems.

Confrontation and risks are seen as something that interrupts daily routine. Rules generally exist as synonymous of order but the more rules are in place, the more ways to bypass them have been thought. Indian bureaucracy is considered very strict in the way that it cannot be changed but only circumvented. Anyway, it could be argued that this reality reflects only the developing “Indian culture” whilst some areas of the countries, the rural ones, are less risk taking and more prudent.

### **Implications**

Business between a change fearing culture and a change embracing one can be tough. According to Kanter (2012, para.3), change interferes with autonomy and power, for this reason the biggest fear is perceived when a potential change comes from someone else.

An Indian manager, who finds himself/herself doing business with an Italian, should keep in mind some suggestions. He/she should be careful with each suggestion that could bring a big change and should always provide a sense of safety. Every change must be modest and well planned, with clear and simple steps. It is important to provide examples or statistics that can reassure the Italian counterpart about the feasibility of the plan. He/she should minimize the differences introduced and keep things familiar. Fass (2013, para.1) suggests three simple steps in order to introduce important changes: clearly define the change, sell the change and expect to have a bittersweet reaction.

On the other hand, an Italian manager who faces a negotiation or any business activity with Indians must adopt a more relaxed attitude. At the beginning the plan can be discussed in a broad way and then, he/she could define the details in a second moment. Indians prefer to interact with someone who appears innovative and enthusiastic rather than worried about complications of his/her new idea, an open mind approach has to be adopted. Italians have to keep the doubts for themselves and show to their counterparts that they are determined and willing to do their best towards the new change.

### **1.7 Pragmatism - Long-term orientation vs. Short term orientation**

Pragmatism studies how a culture deals with time. In particular, it analyses if a culture is more focused on its past, present or future. Other important aspects of time can be analysed in order to picture a particular culture, for example if it is sequentially or synchronically oriented, if it is precise on the reckoning of time or if it is loose. It is important for a manager to know the orientation (present/past/future) of the culture he/she is going to do business with. Past-oriented societies consider the past achievements and experiences as the most important and a guide for the present and the future. Present-oriented societies focus on experiencing each moment with spontaneity and pleasure. Future-oriented societies engage in activities today only because they will gain important benefits in the future. For this reason long term goals are sought more than short term ones.

**Italian culture** tends to see the past as an inspiration for the present and the future and relies on its past achievements. Regarding the sequentially or synchronically orientation, Italian culture is definitely a sequentially one. Workers are supposed to be focused on one task and they are always struggling with time. Time is considered such a significant threat that workers agree to work overtime to finish their tasks. According to ISFOL (National Research Institute For Vocational Education And Training Employment And Social Policies) 51.5% of Italian workers under 30 years of age, work overtime without being paid. Referring to the reckoning of time, Italians do not have the American attitude epitomised through “time is money”. They are not completely linked to rigid schedules and punctuality, such as the USA, and they do not think that using time in order to build social relationships is wasted. Regarding punctuality, being late for a business meeting is considered very impolite, workplace punctuality is highly valued.

**Indian culture** is oriented towards the past as well as Italy. Traditions are very important and long-term relationships are continuously nurtured. This orientation can be explained through Hindu tradition. According to it, time is divided in four ages, everyone more degrading than the previous time period. The actual age, called ‘Kali Yuga’, is



characterised by ignorance and moral corruption, whilst the original age, called ‘Satya Yuga’, is considered the ‘golden age’ defined as an age of wisdom and knowledge.

This traditional understanding of time is, on the other hand, competing with another approach. Since many Indian companies are now facing international business partnerships, the traditional approach is left aside on behalf of a future orientation. It could be argued that, having continuous exchanges with international partners, Indian culture started getting used to a less traditional and past oriented time approach. The technological and future orientation is necessary in order to go hand in hand with global partners. By the way, Indian culture has a very relaxed approach towards time. The approach is characterized by little punctuality and Indians tend to respond more to social relationships than schedules, without considering time and punctuality seriously. Indian culture is synchronic, people are easily distracted, and they consider time as a friend and are used to change plans very quickly. This culture tends to be multi focus and privilege long-term relationships.

### **Implications**

The implications between cultures with a different approach towards time could be huge in terms of doing business. Referring to time orientation, Italian and Indian cultures are both past-oriented, they look at their predecessors as role models and are always willing to share cultural beliefs and ancient traditions while chatting and even doing business. Tradition is highly valued and any attempt to mess with it is considered with suspicion and lack of trust. Generally past oriented cultures tend to direct their efforts and resources in what already exists.

When precise reckoning of time cultures cut off time in the relationship building process, loose reckoning of time cultures perceive them as very impolite. That time is considered important in cultures such as the Indian or the Middle East ones. Italian managers should use patience especially in day-by-day working schedule. They should emphasize deadlines and explain why a precise work must be finished on time. On the other end, Indians should use a moderate approach between its business behaviour and the Italian one.

## **1.8 Indulgence vs. Restraint**

This last study shows how a culture shapes the extent to which people control their desires and impulses. When parents exert weak control on their children it is possible to talk about indulgence, at the other end of the spectrum, if control is strongly perceived, we talk about restraint. Indulgent cultures focus on wellbeing and individual happiness; on the contrary restrained cultures give less importance to those values and do not freely express positive emotions. The study of this cultural characteristic has important applications in business. Indulgent cultures privilege freedom of speech and employees are more likely to voice opinions and give feedbacks. Indulgent cultures expect instant gratification and short-term rewards; on the contrary restrained cultures prefer medium term rewards like career enhancements. Moreover, in indulgent cultures, where people tend to express their emotions, employees tend to change job when they are not happy about the one they already have. It is easy to see the differences through customer services, in indulgent countries such as Australia; customer services visibly demonstrate their caring attitude towards clients with smiling and friendly behaviours. Often customer services address to the client asking, “Hey how are you? /What are you up to today?” and so on; this behaviour is considered unrealistic and too confident in restrained countries such as Italy. Often restrained cultures are the results of strong religious or political norms.

**Italian culture** looks like a restrained country. It favours moral discipline, does not stress nor regulate gratifications and expect material rewards for a good job. Italians freely feel themselves treated unfair and consider objects more for the status they carry with rather than the purpose. Italians have the perception that their actions are continuously restrained from social norms. Referring to the Catholic tradition, deeply rooted in the Italian culture, on 5 August 2014, even the Vatican reaffirmed a series of norms for a more restrained behaviour. It ordered Catholics to be more restrained when performing the sign of peace and priests to make Mass more solemn.

**Indian culture** has a low score, only 26, a result that gets it close to Italy. Being a restraint culture too, Indian religious traditions set up a series of ethic codes and precise rules.

Hinduism and Islam are the main religions in number of devotees. Hinduism highlights ethical discipline through Yama (self-restraint) and Niyama (religious observances), a list of do's and don'ts that are built into the character of children from an early age. The theory of karma is a further explanation of why Indian culture is highly restrained. This ethical theory suggests that every action has a consequence in the present and future life; good actions will have positive consequences and bad actions negative consequence. Islam, as the second religion professed in India, has a precise set of rules too. In addition to the five Islamic pillars, the 17<sup>th</sup> chapter of the Qur'an provides a list of moral rules that every Muslim should follow.

### **Implications**

Any particular implication arises from potential business between India and Italy since they are both restrained cultures. Managers should value discipline and behave as they are used to since none of the two cultures expect the other to be extremely optimistic or extrovert, what it could occur while doing business in the USA. This sixth dimension is relatively new with less data and countries' analysis. It has been criticised because of the ambiguity of the questions, most of them aimed to find out how happy people are, and fewer countries' data compared with the other five dimensions.

## **1.9 Findings**

The analysis I presented beforehand tried to give a very broad cultural framework. The examples furnished and the Hofstede's theory used is only an introduction into the reality of Italy and India. The reason I chose to use the Hofstede study is that it gives precise bullet points that can help unravelling the complexity of national cultures. In conclusion, it is important for managers to know the base of a culture they are going to do business with, because this knowledge can avoid countless misunderstandings and awkward situations. It is important for a manager to do some preparation on subjects of everyday conversation before doing business. For example, everyday topics, while talking to an Indian manager, could be politics, cricket, movies, but avoid discussing religious beliefs or troublesome situations such as the relationship with Pakistan. It is easy to see how a connecting feeling helps, not only in a conversation while drinking a coffee, but also doing business. Indians will extremely appreciate an Italian manager that addresses to them waving in Hindi instead of English and showing interest for their ancient traditions. In the same way, Italians are always pleased to do business with Indians that show interest for their traditions, food and culture. Always show enthusiasm that goes beyond the economic goal and demonstrate that you appreciate every encounter as a potential cultural enrichment.

## CHAPTER II

### **Fundamentals of cross-cultural interaction:**

#### **“Do not let stereotypes drive your business”**

This chapter aims to analyse the process of 'stereotyping' and to study how it affects and influences the interactions between people, even in business and, especially, in international business. Managers should take into consideration stereotypes they might have about others and stereotypes others might have about them. Some stereotypes are clearly identifiable and known all over the world due to particular historical or political facts and social reasons that have been shaping relationships between countries for years. This kind of stereotype can be monitored because it is easily forecasted. More subtle forms of bias are based on people's gender, occupation and origin; they generally play on individual level and are scarcely detectable.

The chapter will, first of all, reflect on key components of cultural psychology, such as the categorization process that leads people to formulate assumptions about racism, difference and othering. Then the main problems linked to the categorization process will be analysed and explained through examples. The second part will concern stereotypes; how to distinguish between useful and misleading stereotypes. Two different perspectives will be presented: that of the perceiver and that of the target. Then two particular types of stereotypes will be studied: the self-fulfilling stereotype and the stereotype's threat. In conclusion the chapter will suggest some ideas about the best way to fight biased stereotypes that could undermine business relationships.

Breaking stereotypes is important for cross-cultural interaction, especially at the first stage of a business relationship with a new country. Naturally Italians hold stereotypes over Indians and Indians hold stereotypes over Italians. In order to break stereotypes, what is required is awareness of their existence and willingness to unravel them.

## **2.1 How stereotypes work: Perception and Categorization**

According to Schneider (2004, p.24), everyone creates stereotypes through a perception and categorization process; processing incoming stimuli people make sense of their world. Through five senses, individuals continuously receive clues about objects, people, ideas and behaviours. The central nervous system, then, organises and categorises every clue in such a way that gives them meaning. The categorization process happens through two phases: the first is a kind of “downloading” of each incoming stimulus; the second is an interpretation of them. Since each individual develops one's own scheme, through interpretation the central nervous system creates inferences. All the interpretation process occurs through two elements: one's own attention, which makes something relevant only for someone, and memory, which classifies and makes things easy to remember. Through attention and memory, inferences are created; they differ depending on each individual and category his/her mind gives attention to and wants to remember. Wrong assumptions and stereotypes are linked and caused by the perception and categorization process. Some problems associated with categorization might be:

- Selective perception
- Projected similarity
- Parochialism
- Attribution errors
- Ethnocentrism

Selective perception makes people perceiving only what is culturally important for them, leaving aside, without noticing or forgetting, whatever is at odds with someone's own beliefs. Different factors influence selective perception; someone's previous experiences might have important effects on the selective perception mechanism. Biological factors, such as gender, age and race can also affect selective perception. In addition, individual's needs, expectations and emotional states have intense influences on what someone "chooses" to perceive.

Projected similarity, as stated by Cronbach (1955, pp.281-382), makes people assume that

all the others share their same values and perceptions. Adler & Gundersen (2007, p.85) asked managers, working in teams from 14 different countries, to describe the work and life goals of a foreign colleague. In every case the answers reflected perceived similar characteristics between managers and colleagues. Projected similarity assumes that differences do not exist and when people act, basing on this similarity, they often act inappropriately and ineffectively.

Parochialism is the name given to a narrow mental attitude, which assumes that the only way to be is one's own way. Other people are seen only in reference to one's own way of viewing the world. It is difficult for managers to admit that, often, they do not perceive themselves as parochial; they might believe that, as world travellers, are able to appreciate foreigners' perspectives. An interesting example of misunderstanding caused by parochialism is the western reaction to the Muslim expression "*In šā' Allāh*", considered intolerable in business. The expression, translated as "If God is willing", is often used by Muslim managers and understood by Europeans and Americans as an excuse for not getting the work done. This misunderstanding shows a parochial perspective, which ignores or does not care about deepening the meaning of a cultural and traditional expression. If, on one hand, the religion expression shows human submission to God, on the other hand, the original meaning is that is impossible to guarantee something 100%, there is always a chance that something could change, get lost or stop to exist. This does not mean that a work will not be done on time or as agreed between the parties, it is just a traditional expression that Muslims use very often, even in business. It implies that they will try to increase the degree of reliability and reduce the likelihood of failure.

Attribution errors make people misunderstand and misinterpret the reasons for a particular behaviour without taking into consideration external and situational factors. Often attribution errors occur when people lack full awareness of the situation and have incomplete information. This goes hand in hand with unrealistic expectations and exaggerated assessments of the plaintive behaviour. Moreover, people might fail to correct initial assumptions. When more external data are available and it is possible to revise mistakes and categorize again the case in question, people difficultly admit that they made

quick and wrong judgements (David 2012, para.2).

Ethnocentrism points out that someone's way is the best, for reasons based on his/her heritage, compared to all the others. It is a type of cultural and ethnic bias whose practice is related to problems of racism and prejudice.

During the nineteenth century, the entire process of European colonialism was deeply nurtured by ethnocentrism. Colonialism aimed to promote European world-view and, in some cases, to replace local habits, languages and social systems. Examples of ethnocentrism could be observed in almost every European colony ruled by English, French, Spanish, Dutch, Italians and Germans with different characteristics. For example, the type of ethnocentrism developed by the French aimed to spread their culture through assimilation. Locals were obliged to embrace French culture through a very paradoxical system; they were educated on French revolution's principles of freedom and equality. Other types of ethnocentrism, such as the English one, did not aim to transform locals in English; Indians were kept at distance and only exploited for commerce and human interests (Westad 2007, p.75).

Irrespective of the type of affirmation, all Europeans used to attribute their dominance in other countries to their cultural "superiority". Western science constructed the notion of race, used to justify the perception of locals as inferior; racism and colonisation have been supported by Western scientific theories of human evolution and biological and cultural inferiority. Howitt & Owusu-Bempah (1994, p.368) described European social sciences as more than ethnocentric or culturally racist; they introduced the term Eurocentric to capture the universality assumed by European world-views. One of the consequences of European ethnocentrism is still detectable in the celebration of whiteness as synonymous of beauty and superiority in many South Asian countries, including India. The phenomenon is attracting more and more people, with the Indian fairness industry earning more than \$400 million per year, more than the sale of Coca-Cola and tea (Segran 2013, para.1). The whiteness phenomenon affects people from hiring practices to matrimonial aids in which dark skin is an unpleasant characteristic for a future employee or bride.

An example in which Italian culture exhibits ethnocentrism is related to consumer



behaviour. Some countries are more likely to be receptive towards foreign-made products whilst Italians tend to reject them. The consumer ethnocentrism scale (CETSCALE) identifies consumers that are highly ethnocentric; they consider wrong buying foreign products for a series of reasons. Markets targeted as “ethnocentric” stress nationalistic themes in promotional appeals, such as “Made in Italy” or “Italian quality”. This is the case of Italy, where consumers prefer purchasing Italian products and tend to mistrust foreigner ones (Schiffman, Hansen & Kanuk 2008). Italian ethnocentric consumers believe that purchasing imported products damages domestic economy. Through this behaviour they perceive a sense of identity and belongingness; buying a Fiat car instead of Japanese or German cars is synonymous of patriotism because the buyer wants to foster Italian economy and employment.

Going back to the categorization process, one of the most problematic categorization is that of people. Especially on the workplace, this type of categorization leads to a clear demarcation between in-group and out-group members. It could negatively affect team works and create discouraging situations. In-group members are those that perceive themselves as very similar, people that have a particular bond between them and do not feel any constraint in working together. Out-group members are seen as different, external people that are not accepted by in-group members due to a lack of similar references. In-groups are definitely advantageous when they include all members of the same team because they foster group spirit and self-esteem. Problems may occur when people gather around and form an internal group within an already existing team group. This sub-division exaggerates differences between in-group and out-group members affecting the way they work all together. Usually out-groups lose their co-workers' esteem and perform worst than them (Bos et al. 2004, para.3). According to the attribution theory, out-groups' behaviours are always judged by internal attributions, such as their personality. On the other hand, in-groups' behaviours are judged by external attributions, such as situations or the environment around them. The first attribution is known as “disposition” whilst the second as “situational”. In other words, out-groups' negative behaviours/characteristics are always reconnected only to them whereas in-groups' negative behaviours or characteristics might be caused by external factors (Buchanan & Huczynski 2010).

## **2.2 Prejudice, Race, Difference and Othering**

Prejudice, race, difference and othering do all relate to each other and might influence social and business relations creating stereotypes.

Prejudices are unjustified attitudes that people hold towards individuals just because they are members of certain social groups (Mc Load, 2008 para.2). Discrimination is a consequence of prejudices, especially on the basis of sex, race or social status. Discrimination on the workplace often occurs when someone is denied a certain job, benefits - such as promotions, or is fired because of gender, age, religious preference and sexual orientation. MacNaughton and Davis (2001, pp.83-93) argue that 'the others' are often homogenised into a collective 'they' due to their differences in cultural practices. The desire to identify ourselves by seeing us as different to "others" is linked to the process of othering. Othering stands for the distinction between "us" and "them", a process that works on the simple binary thought "I am me" because "I am not the other". Sometimes people elaborate their own schematic system for recognising differences: the authors studied the way several Australian children develop a black/white binary system as a tool to distinguish Aboriginal people from Anglo-Australians. This self-identity process is described as a consequence of the colonial ideology, which aimed to construct a clear difference between in-group and out-group. Race could be defined as "a social set of power relations among racially constructed people and not a reified biological category", as pointed out by Chandra Mohanty (Austin 2005, p.60). This definition assumes that the concept of race is part of the "ideology building process" created and driven by men for precise purposes during history. Regarding difference, the concept can be embodied through several characteristics, some visible whilst others invisible. Visible characteristics marked by race (on account of phenotype and 'looks') increase the chance of problems people might face. Cultural differences, which can gradually disappear across generations, might create less problems compared to 'racial' markers carried in the body that continue to be passed from one generation to the next.

### **2.3 Stereotypes and cultural paradoxes: what people think about Italians and Indians**

Stereotypes have been defined as “beliefs about the characteristics, attributes, and behaviours of members of certain groups” (Hilton & Hippiel 1996, p.240) or, easily, as “mental shortcuts” (Khan 2012, p.3). Often stereotypes are judged with negative assumptions, but, actually, they are somehow useful when they allow people to get quick information without any effort. This functional aspect can be, on the other hand, misleading in the sense in which it leads people to discriminations and wrong judgements. For this reason, it is important to understand which stereotypes might be harmful, damaging and fostering prejudice and discrimination, and which might be helpful. Helpful stereotypes must be descriptive and not evaluative, accurate, consciously held and, most important, they must be “first guesses” about a topic, but opened to modifications.

It could be argued that good stereotypes are not that positive. Some of the critics concern the fact that good stereotypes set the bar unrealistically high; people get disappointed when they find out the lack of a particular good stereotype in its target. A second critic stresses the inhibition of an individual's ability due to high expectation. Research shows that good stereotypes threaten intellectual performances (Cheryan & Bodenhausen 2000, para.4) and could be alienating and depressing for the target supposed to possess a certain good characteristic, but actually do not. People, who find themselves in this situation, might feel not good enough or marginalised because they lack that particular characteristic or behaviour their group is famous for. In conclusion, perceivers never feel bad about using good stereotypes because they ignore where the harm is hidden, however, they should keep in mind that victims of good stereotypes do exist.

Usually “negative” stereotypes are ethnocentric, subconscious, exaggerated and sticky. Cultural stereotypes always affect the early stage of an international business relationship. Whether it is about a simple purchase or a merger, people do conceive inter-related notions or stereotypes on behalf of the counterpart. Stereotypes might be linked to the counterpart's reputation, past experience or culture at a national level. In any case, stereotypes affect someone's own attitudes and expectations when communicating with the counterpart. Occasionally they are commonly shared even by the counterpart, but sometimes they are developed only through each own experience in cross-cultural relations. The only way to

prevent wrong assumptions, and let them driving business, is keeping questioning their relevance. Stereotypes have to be questioned and mitigated, they are never to be taken as granted.

As said before, some stereotypes are shared and accepted by the target, others are formulated only by the perceivers. Concerning this statement, an example of stereotypes held by foreigners over Indians and shared by Indians too will be presented along with a stereotypes formulated only by foreigners over Indians.

The photo on the left is one of the fifteen images spread by an Indian website in order to break stereotypes and debunk generalizations (Dutt 2014, para.1). The woman is wearing traditional Indian clothing and is proudly saying that she chose to wear it. In common



foreigner perception, Indian clothes make women traditional while western clothes mark them modern and liberal. This stereotype, that defines Indian women depending on what they are wearing, is amplified by traditional gender stereotype. The lines of gender demarcation are quite rigid. Long-held gender expectations lead people to believe that women should be taught how to dress and what to wear, leading to a rulebook for women on ‘how not

to dress’. That rulebook is constantly evoked in public debates about rape and other gender-based violence, where women are lectured about inviting rape by wearing provocative clothing. Despite this stereotype, many women wear traditional clothes not in order to be judged modest and conservative, but because they like Indian clothes. So, while doing business with Indian women, it does not make sense having preconceived ideas only based on the fact they are wearing jeans rather than a traditional sari.

The second image represents a stereotype linked to the assumption that Indians do not speak English. In particular, the statement on the sheet refers to a public speech of Lalu

Prasad Yadav, Bihar Minister from 1990 to 1997, who, even if pushed by his party's politicians to speak English instead of Hindi, was not able to carry on the speech. The result was a funny and awkward debate that went out all over the world.

This stereotype, as already announced in the chapter's introduction, has deep roots due to historical and political elements, especially colonization and Indian nationalism. It is undeniable that the majority of Indians do not speak English, but the reasons have to be found in political and leaders' choices after Indian independence. Hindi has been fostered as the "national" language in order to create a sense of unity and identity for a relatively new national population. There is a huge gap between rural and urban areas, young and old



people and high and poor education levels. Although India's constitution recognizes 22 languages, Hindi and English are the two official languages for federal government business. Most of Indian managers do not meet any particular problem when speaking English but nowadays PM Narendra Modi is trying to push Hindi in order to replace English. His decision has been strongly criticized because Hindi is actually spoken only by 40% of the population and many states, above all Tamil Nadu and Jammu and Kashmir, voiced their opposition (Kalra & Asokan 2014, para.1). The Prime Minister started using Hindi instead of English during meetings with South Asian leaders and ordered its officials to use Hindi on social media accounts and in government letters. Even among Indians who speak English, foreigners blame their strong accent for miscommunication problems. Since Indians have some palatal consonants in the Devanagari alphabet, they tend to reproduce the same sounds while speaking English. Any person from any nation has a certain influence of his/her mother tongue while speaking another language; Italians too are famous for their accent that make other nationalities think that Italians sing instead of talking. Anyway, heavily accented people seem to be victims of stereotypes; according to

the research carried out by Wang, Arndt, Singh and Biernat (2014, para.1), the accent of service providers influences customer perception of service quality.

The research shows the effects of accent stereotypes in different call centre situations with identical service outcomes. Customers' perception of their service changes depending on employee's accent. Accent is an important indicator of one's ethnicity, regional affiliation and social class and people attribute positive traits to certain types of accents; for example sophistication and politeness are associated with British accent. In contrast, people discriminate against speakers with foreign accents that might "link to skin that isn't white, or signal a third-party homeland" (Lippi-Green 1997, p.239).

The research found that accent stereotypes influence both customer evaluation of employee performance and customer satisfaction. Customers used to rate the performance of employees with Indian accents much lower than the performance of employees with American and British accents. That is why the man in the photo breaks this stereotype saying that his English is impeccable.

A couple of stereotypes related to Italians will be presented and analysed. Hopefully, they might be interesting for everyday topics conversation outside the office and could be helpful for whoever does not have any clue about Italian culture. In order to identify some stereotypes about my culture, in May 2014 I interviewed about 30 people from different countries who have never been to Italy. The majority of the respondents were Australians, Asians and Latin Americans; none was from Europe. I asked them four simple questions and I compared the answers in order to identify and explain the main similarities.

The questions were:

- "What is the first thing that comes to mind thinking about Italy?"
- "What would you expect from a trip to Italy? Do you have particular scenarios in your mind?"
- "It's dinner hour in an Italian house and you are a guest, what do you imagine?"
- "A couple of things that come to mind thinking about Italians."

Foreigners use to link Italy to simple images of food and touristic monuments. For this reason I had to ask more questions in order to uncover something more than pizza and the leaning tower of Pisa. The answers I found as the most interesting were linked to the questions about the characteristics of Italians and what people expect as dinner guests of an Italian family. Every person questioned on the characteristic of the Italians answered with positive adjectives. People tend to describe Italians as friendly, warm and welcoming.

The other answer that I did not expect but I heard many times was that Italians are deeply religious people. Obviously this stereotype is linked to the presence of the Vatican City, but the reality is that the majority of Italians has little involvement with the Church. According to Isfol data, even if the majority of the population declares itself as Christian, 80% of them also adds that this “label” is more a tradition than the truth and among the Christians only 24% declare themselves also as practising.

For the second question, the majority of the respondents said that they would expect to have a dinner with homemade and traditional Italian food. Many respondents explained this answer describing a stereotypical image of the Italian family at the dinner table with the red and white tablecloth, the mother cooking homemade pasta and all the family reunited. Italy is famous all over the world for its food, but it does not mean that every Italian is a good cook or Italians eat pasta and pizza every day. Actually Italian cooking is generally healthy because it includes a Mediterranean diet, which is rich in fruit, vegetables, fish and light condiments, such as olive oil. Moreover, since only a small number of women are housewives, the typical Italian mother does not have time to prepare homemade food. The picture of the all family reunited for the dinner can in reality be observed just over the weekend, generally during the Sunday lunch.

The last interesting data I observed was that many respondents held a completely stereotypical and untruth picture of Mafia. Most of them associated Mafia to cool scenarios of funny accents, respect, honour and ruthless gentlemanly mob bosses, beyond thinking that every Italian has involvement with mafia at least once in his/her life. Media is certainly guilty of spreading misrepresenting images of what is actually looked at as a crime,

countless movies and even cartoons, such as *The Simpsons*, show this created image of “cool” mafia. The real “uncool” implications of stereotypes associated with mafia have been disadvantageous situations towards Italian migrants in the past, discrimination and even residential segregation.

As explained in the first Chapter, cultural self-awareness is important to define peculiar characteristics of one's own culture as well as cultural paradoxes. Cross-cultural paradoxes are essential for understanding the changes in the international business market caused by globalization and help defining the culture itself. They show weak points and unravel contradictions that characterize all cultures around the world. Awareness of cultural paradoxes discourages stereotyping and push people to reflect on their own culture before judging others. In order to explain the significance of cultural paradoxes, two examples will be analysed.

A cultural paradox that has been provoking the Italians and the media for years is the presence of crucifixes in schools, courts of law and hospitals. Articles 8 and 9 of the Italian constitution declare that the State and the Catholic Church are independent and all religious confessions are equally free before the law. Italian schools and public offices exhibit the crucifix in every room, despite the higher number of people following other religions, more than five thousand, with around 30% of foreigner students in every school. The battle for the removal of the crucifix began in 2003 and ended in 2011 with the Italian Council of State throwing away the case declaring that the crucifix represents “the values which underlie and inspire our constitution, our way of living together peacefully” (Paparella 2012, p.106). The majority of European countries removed the crucifix through specific laws, France in 1905, Germany in 1995, Romania in 2006 and so on. This example illustrates a cultural paradox since Italian constitution ensures equal rights to every religion, affirming the secular character of the state, but what actually happens is the protection and fostering of the Catholic religion. It could be argued that the Italian response towards this issue is also a kind of affirmation of Italian values against foreign interferences. This defence mechanism reflects a society that fears external changes and influences that could undermine its main values.



An Indian cultural paradox might be the overall cleanliness of Indians in contrast with few attention to keep the environment around them clean. Women always take care of their appearance, wearing colourful traditional clothes jewellery and make-up, same for men and children; even the poorest ones always have their hair neatly combed. Indians bath and wear clean clothes before every religious or social ceremony. The contrast to this personal grooming appears when they throw away rubbish right outside their door. Most of the buildings and public structures are careless, they lack periodic maintenance and nobody is appointed to keep the place clean. On one hand they are obsessively concerned about cleanliness (they even avoid drinking touching their lips to the bottle), whereas Indian cities are among the dirtiest in the world, as stated by the former Minister of Environment Jairam Ramesh (2009, para.3).

This cultural paradox that immediately strikes foreigners while visiting India, is grounded on Indian purity notions. Purity is an important element in the caste system and Indian culture; it affects all social interactions, from eating to sharing physical space. As explained by Dumont (1991, p.130) purity and contamination are the base of Indian hierarchy, the concepts of superiority and inferiority exist only through the compliance of people to contaminated and uncontaminated practices, necessary for the society to keep on existing. Concerning the lack of environmental attention and cleanliness, it cannot be argued that dirty cities are caused only by a lack of money and resources, what does partially explain this neglect is a set of preferences and a different attention toward public commodities. New and technological goodies are preferred to basic facilities, such as public toilets, due to artificial politics. Indians are more likely to be attracted by a new television that, bringing the last Bollywood movie even in the poorest house, can distract people from the biggest inequalities that mark their condition. The Ministry of Rural Development regrets that women are demanding mobile phones but not toilets; as reported by a UN report in 2010, half of the households in India do not have access to toilets, but the mobile subscriber base in India is now over 700 million over a population of 1.2 billion.

## **2.4 Self-fulfilling stereotypes and stereotype's threat**

The term “self-fulfilling” describes “a false definition of the situation evoking a new behaviour which makes the originally false conception come true” (Merton 1968, p. 477). A self-fulfilling stereotype, known also as self-fulfilling prophecy, is a particular kind of stereotype that influences target's behaviours in order to confirm the perceiver's stereotype. The expectations, that go hand in hand with the stereotype, provoke a chain of events that leads, almost inevitably, to their own confirmation. A boss, who, for example, thinks, without any evident proof, that an employee does not work properly, will likely treat him/her in a way that will elicit the response he or she expects. This situation has been demonstrated by Professor King (1971, pp.369-377) through an experiment: an instructor in a training centre was told that five men of a training program had a very high aptitude. The instructor did not know that the men were chosen on a random basis and that, in reality, they had the same aptitude of their co-workers. Nevertheless something happened in the relationship between the instructor and the trainees. The instructor trained the men in such a way that led them to make clear gains; they started changing in performance, learned in about half the usual time and scored 10 points higher than others on the final test. This result showed the power of a person's belief to make other people conform to it.

The stereotype's threat is a stereotype invented and perceived only by the target, which provokes an high level of anxiety. The anxiety leads the target to behave in a way that confirms the stereotype. An example of stereotype's threat comes from an experiment by economists Hoff & Pandey (2004, pp.2-4), they showed that when young children in India were reminded of their caste origin, those from low castes performed worse than normal situations. In India, individuals from low castes are stereotyped to have lower intellectual ability than upper caste members.

Recent cases of stereotype's threats could be noticed across Australia the same day of the terroristic siege of Sydney, 15 December 2014. Many Muslims were scared of walking around the city or taking public transports because they feared racially anti-Muslims reprisals. A Muslim woman has been described while unpinning her veil, before getting off a train, because of the threat of being linked to the terroristic event. This was not an isolated

incident and a solidarity campaign within only a couple of hours gathered tens of thousands of people on social networks. This case represents an example of stereotype's threat because the target (Muslims) created a stereotype (Muslims are linked to terrorism) and applied it on themselves, affecting their normal behaviours, even if the perceivers (Sydney citizens) did not share the stereotype.

On the workplace, the implications related to stereotype's threat are many and its consequences affect employees' work skills. Some of them might be: feedback avoidance, underperformance, turnover and disengagement. Certain situations are more likely to activate stereotype's threat; for example difficult, competitive and new tasks might increase the anxiety level of an employee. The employee, feeling that he/she does not fit the situation, might think that the boss has the same perception. This thought makes the employee behave in such a way as to confirm the stereotype he/she invented and actually none shared.

Other potential stereotype's threat situations might be clear status differences, minority representation and organisational culture with implicit or overt racist attitude.

A manager should perceive the problems his/her employees face and should try to minimize them. Some techniques that could minimize stereotype's threat are based on shifting the cognitive process from fast (automatic and unconscious, with little effort and no sense of voluntary control) to slow (controlled, conscious and reasoning, with effortful mental activities). According to Kahneman (2012) the first step concerns categorization; it implies delayed categorization (slow and reflective sense-making), frame switching (an actively open-mind approach), external validation (through consultation with others), supporting evidence (actively look out for proofs for each hypothesis) and psycho-educational methods.

## **2.5 How to break stereotypes**

It is important to break stereotypes before they could affect employees' outcomes, especially in team works. Different techniques have been reported by social sciences, between them some of the most effective are:

- Multicultural experiences
- Re-categorization process
- Internal bookkeeping
- Situational attribution training

Multicultural experiences are probably the most effective because they rely on Contact Hypothesis (Allport 1954, p.281). Contact Hypothesis suggests that more than a simple contact is needed in order to improve intergroup relations. The ideal contact should happen when some characteristics are satisfied. People relating to each other should have equal status, common goals and support of authorities, such as law or customs. Moreover, the subjects should find themselves relating in a kind of forced cooperation, in such a way they are obliged to find common points in order to reach the goal. Two more encouraging circumstances expect people develop personal acquaintances and familiarity with out groups. These multicultural encounters allow people to realize with their own experience how wrong and superficial their stereotypes were.

Re-categorization process is the name given to social interactions that make the perceiver feel that he/she does not belong anymore to a particular group. This way allows the perceiver to rethink the in-group and out-group interactions until he/she perceives just one big inclusive category. This dynamic fosters in-group favouritism, extending it to people previously not considered within it.

Stereotype reactance concerns active disconfirmation and openness to re-categorization.

Internal bookkeeping is another useful technique that allows the removal of bias. It is based on a continuous evaluation and balancing of confirming and disconfirming stereotypes. When disconfirming information about a particular group accumulates, the perceiver modifies its negative stereotypes. Every new encounter is seen as a potential disconfirming

stereotype. The danger is that these encounters might be classified as exceptions to the rule, without weakening the stereotype.

Situational attribution training is the study that considers internal and external attributions as affecting one's own behaviour (Stewart et al. 2010). The fundamental attribution error is the tendency to rely only on internal attributions underestimating external factors. The ultimate attribution error is, instead, the use of dispositional attributions only to confirm negative behaviours of out-group members. People are more likely to attribute out-groups' negative behaviour to situational factors. The training should focus on inviting the perceivers to consider all the external factors while judging out-group members.

Another basic tactic to break stereotypes concerns focusing on the particular individual without considering all the information surrounding him/her, such as ethnic or national background. Minimizing stereotypes often occurs when the perceiver feels himself/herself as victim of biases. Subtle biases must be broken because they affect business in such a way that managers or negotiators consider the counterpart as a problem instead of a person who is working in order to resolve the problem (Breslin 1991, p.249).

For some companies a way to break stereotypes starts at the hiring decision. Since in most of the countries it's illegal to consider factors like age, race, gender, religion, national origin, sexual orientation, or disability status in hiring decisions, many companies prefer to not "officially" know. They ask the applicants to not put photo, name, nationality and age on the resume. Some companies even reject resumes with photos in order to avoid potential accusation.

## **2.6 Findings**

The Chapter tried to explore stereotypes; how they work, what they are, which consequences are the most dangerous and how to minimize them on the workplace. Some problems might be faced between a manager and his/her employees whilst others are more likely to occur between international managers who find themselves doing business with new countries.

Thinking about this second scenario, it must be said that stereotypes do help or worsen possible business opportunities but new researches show that products still come before reputation when it comes to trade (Hsu 2014, para.3). If the quality of the products is good the consumer does not care about the reputation of the producer or the country of production. The research highlighted other components that augment business success when people link the product to its origin. Since all stereotypes are multifaceted, it is important to know not only a country's reputation for making quality products, but also how exposure through travel and advertising impacts consumer opinion.

The Chapter did not examine in depth female gender stereotypes especially in relation to women and international assignments. Anyway it is important to point out that gender stereotypes' consequences are harmful and copious. Between them it is worth mentioning wage, hiring, firing and promotional discrimination, sexual harassment and pregnancy discrimination.

Hopefully the Chapter spread the reasons why it is easier to do business without preconceived ideas rather than being helped by media on unfamiliar topics.

The last advice concerns only documentation. The best way to do not let stereotypes driving business is using reliable sources; questioning or discussing particular habits or behaviours, instead of assuming answers.

## **CHAPTER III**

### **Cross-cultural negotiation**

The third chapter will cover cross-cultural negotiation and will explain how culture influences even this business operation. During a business negotiation a manager usually attempts to persuade another one to change his/her ideas or behaviors, from making a particular decision to signing a contract. Generally two managers find themselves trying to reach an agreement even if they have different needs and viewpoints. It is possible to talk about cross-cultural negotiation when two or more managers belong to different cultures and, consequently, have different ways of thinking and behaving. Cross-cultural negotiations are as difficult as domestic negotiations with the added dimension of cultural diversity. In today's global business a manager is expected to have the abilities to carry out effective cross-cultural negotiations.

Managers have to use their best strategy depending on whom they are doing business with. Every culture prefers to negotiate in its own way; for example it is generally admitted that Americans cut off time for building relationships in order to get down to business whilst Arabs prefer to have a chat before talking about affairs. Since some approaches and techniques are more likely to improve negotiation, the chapter will present some of them focusing on Italian and Indian preferences, exploring the main steps for a good negotiation process, from preparation and planning to concession and agreement. The chapter will then point out why trust is so important in business negotiation, presenting three types of trust and studies on contract or word based trust. In conclusion Italian and Indian main characteristic features, such as goal orientation, communication, emotionalism and so on will be analyzed along with the main challenges that cross-cultural negotiation implies.

### **3.1 Trust and culture**

Trust always drives and influences business; it is essential in any long-term relationship, especially negotiation. Certain cultures are keener on doing business with different cultures whilst others tend to mistrust outsiders, according to in/out group dynamics. For example, many studies suggest that Chinese mistrust outsiders and prefer using interlocking networks to facilitate business and to keep their companies out of foreigners' hands. Building trust requires time and risks, especially at the beginning of a business relationship, managers have to trust each other and minimize vulnerability before getting down to negotiation. The importance of trust in business is explained as the correlation between it and profit; no deal can be made without trust. If a manager shares data with clients, trust and quality of the agreement will increase hand in hand with profits. For all these reasons, developing trust has become an important objective in business operations.

In relation to trust and negotiation, some cultures consider an agreement strengthened only through a signature on a contract, others just rely on the relationship and on manager's word. Roger Fisher (1992, p.101) carried out a study on this comparison; an agreement based only on trust, without a contract, and an agreement written up in contract. His research found that a contract results being more important in countries with a strong and efficient judicial system. A written contract in India would be more difficult to enforce than a contract in the USA, for example. For this reason, building trust and long-term relationships becomes more important for an Indian manager compared to an American one. A survey of over 400 persons from twelve nationalities showed that 74 percent of the Spanish respondents claimed the contract as main goal in a negotiation whilst only 33 percent of the Indian respondents shared a similar view (Salacuse 2004, para.4). Both studies suggest that the concept of trust fluctuates among cultures and one's own perspective on it has not to be taken as granted for all cultures.

According to Lewicki (1992, pp. 209-252), it is possible to recognize three types of trust that shape relationships. The first type is called "calculus-based trust" and most of the relationships start at this level. Also known as "deterrence based trust", it puts a lot of



emphasis on behaviors; the first violation of expectations or inconsistency can destroy the relationship. Parties try to avoid doing anything that could undermine the relationship, for this reason there is not much disclosure. At this level managers have not interacted with the person, they are doing business with, a lot; for this reason only his/her behaviors meet the manager's expectations. Sometimes managers trust on behalf of good reputation and what the person says, since he/she wants to be known as someone who keeps his/her word. The second type of trust is called “knowledge-based trust” and most organizational relationships identify themselves at this level. At this step the manager has already interacted with the counterpart a lot and can accurately predict what he/she will do and his/her reactions. This type of trust relies on the predictability of behavior and information rather than deterrence, the parties do not fear anymore to break the relationship by inconsistent behavior. The last type is “identification-based trust”, it is the highest level of trust that managers seek in teams and it is built on empathy and identification. Both parties share the same objectives, values and interests and the manager knows that the counterpart would do whatever he/she would do in the same situation. Thanks to an emotional connection between the parties, controls are minimized.

It is worth noting the study of Dumetz et al. (2012, p. 417) on trust and loyalty. They analyzed two orientations: universalism, which reflects the Anglo/European attitude, and particularism, which reflects the Asian, Latin American and Eastern European attitudes. Roughly speaking, independent-self individuals use a universal and fair set of standards to measure others' performance whilst interdependent-self individuals use a contextual and particular set of criteria to evaluate others' performance in different situations. Universalism applies rules and procedures universally in order to ensure equity and consistency. It is characterized by rules as more important than relationships, the existence of one single truth that must be agreed to and the involvement of honor towards contract or verbal agreements. Anglo and European cultures tend to certify every agreement through a legal contract and, in case of disagreement, they use to appeal to courts. Market norms express universalism and pure capitalism relies on its values. On the contrary, particularism encourages flexibility and considers every singular situation in all its peculiarities.

Relationships are more important than rules and evolve with time; they are based on trust, which involves one's own honor. Nepotism and corruption are assumed to be expressions of particularism, since relationships are so important a person feels the obligation to help or give resources to whom he/she has a personal obligation. Often the distinction between universalism and particularism is not clearly defined or one party might move towards a “reconciliation” area. Reconciliation occurs when a party does not want to degenerate into rigidity and too much bureaucracy and, on the other hand, does not want to develop a situation of chaos in which order cannot be restored anymore. Managers should understand when they have to manage or to be managed; universal cultures have the right to demand consistent and uniform procedures and formal and clear information when the traditional way, in which business is conducted, is being changed or adapted to a new system. Every change must be publicly signaled and these cultures have to seek fairness by treating all cases in the same way, even with particular cultures. Particular cultures are used to build informal networks and create private understandings. When they do business with universal cultures they should try to adapt informal accustomed patterns of activity and modify relations, so that even the negotiation system can be lightly modified. Fairness should be sought promoting merits and frowning upon demerits privately. Kluckhohn and Strodtbeck (1961, p.401) developed a theory that has been used to examine inter-generational value changes and to help ethnic groups understanding each other. The theory, called “Values Orientation Theory”, states that all societies must answer specific universal problems, such as:

- On what aspect of time should we primarily focus – past, present or future?
- What is the relationship between Humanity and its natural environment – mastery, submission or harmony?
- How should individuals relate with others – hierarchically, as equals, or according to their individual merit?
- What is the prime motivation for behavior – to express one's self, to grow, or to achieve?

- What is the nature of human nature – good, bad or a mixture?

Each question has value-based solutions, suggested by the authors, which are limited and universally known. Every culture expresses different preferences among the solutions and people's attitudes are based on few, stable values. Consequently, measuring the solutions, the authors were able to develop culture-specific measures of each and described the value orientation profiles.

### **3.2 The negotiation process and its main steps**

“When in Rome, do as the Romans do? No, when in Rome, or Beijing, or Prague, act like an effective foreigner.” (Pye 1982, p.55)

The English proverb “When in Rome do as Romans do” advocates a Western approach to cross-cultural interaction that suggests being abided by the customs of the culture someone is interacting to. Performing this approach does not usually resolve negotiation effectively because “non-Romans” must have a very broad knowledge of “Roman culture” in order to fit it. Today's challenges push to search for other culturally sensitive options for conducting negotiations. The main problem of cross-cultural negotiation is that managers are not sure if they should adapt to their counterpart's negotiation style or maintain theirs. Before the negotiation, managers should learn as much as possible about the culture of their counterpart, but this does not mean that they have to try to become member of that culture. Often behaviors and words that persuade businesspeople at home do not work as well as abroad and provoke offenses rather than results. For these reasons, Pye commented the proverb suggesting that managers should act like foreigners.

The five sections that follow will present the main steps of a standard negotiation: preparation and planning, relationship building, exchanging task-related information, persuasion, concession and agreement. In the first section, preparation and planning, negotiation strategies will be analyzed in order to have some alternatives to the “Roman” and “non-Roman” behavior. Every step will be studied in order to gain knowledge of the whole process and to understand the most profitable way to perform a negotiation.

### **3.3 Preparation and planning**

The first step concerns defining the main objectives and the negotiation strategy, depending on the counterpart a manager is going to negotiate with. This section is divided in six main areas that must be explored before seating at the negotiation table:

- BATNA (Best Alternative to a Negotiated Agreement)
  
- Understanding the counterpart
  
- Selecting negotiators
  
- Planning the process
  
- Negotiating strategies

#### **BATNA (Best Alternative to a Negotiated Agreement)**

The best alternative has to be defined before meeting the counterpart in order to barely hold the main ideas and objectives and not to waste time or being confused during the negotiation. According to the Harvard Law School report “BATNA Basics: Boost Your Power at the Bargaining Table”, it is important to define the best alternative keeping in mind that high aspirations must also be grounded in reality (Breslin 1991, p.247). In order to determine one's own BATNA, four steps are suggested. The first concerns listing all the available alternatives, the second is about evaluating each option with its own value. At the third step the manager should establish his/her BATNA, a course of action that would have the highest expected value and should be pursued if the negotiation fails. The last step it is about the reservation value, the lowest deal the manager would agree to accept. This value allows the manager to know if rejecting or accepting the final offer. It is important for a manager to consider not only his/her BATNA but also to assess the counterpart's BATNA. Generally a manager faces two counterparts: the individual across the table and the organization he/she represents. This means that two BATNA have to be assessed. Generally

negotiations occur between organizations, not individuals, but individuals do negotiate deals. Only examining both BATNA it is possible to gain a complete picture of other side's alternatives.

### **Understanding the counterpart**

Managers who focus only on themselves tend to forget the counterpart's perspective, which negatively impacts the quality of the all process. Developing an understanding of the other part makes it easier to assess the negotiation context, to develop a negotiation strategy and to achieve success. The best way to understand the counterpart is trying to get in his/her shoes, focusing on a few key areas that are likely to shape his/her negotiation goals and approaches. A manager should use all of the tools and resources available; he/she could ask information to colleagues, friends and relatives who work in the counterpart's position or industry or have already negotiated with the counterpart or his/her company. Also inquiring for employees who have the same role as the counterpart or asking to some account representatives about their experiences when negotiating with customers. All these information must be implemented by manager's own research on the counterpart's company and competitors by reading trade journals, interviews, press releases, news articles and visiting its website. The final piece for understanding the other party is anticipating what they are likely to do and say at the table. It is useful to focus on arguments they might make, questions they might ask, and tactics they might employ, since these areas require a response or reaction. Anticipating the other party's arguments, questions and tactics will help think through the strengths and weaknesses of their arguments and then prepare the most effective counter-arguments and decide what information can be shared with them and prepare appropriate, skillful responses to their questions, diagnose what tactics or negotiation games they are employing and determine how to respond.

### **Selecting negotiators**

It concerns the choice of the leader, who should lead the negotiation. Leadership, it will be studied in depth in the following chapter, is critical because a leader is responsible for

setting expectations and parameters in regards to pricing, strategy, deadlines, process management and more. A manager has to carefully decide who should be on his/her side of the table because how the team performs will have a strong bearing on the chances of arriving at a favorable outcome. This consideration goes beyond picking those directly involved, sometimes technical or financial experts are needed to provide insights to quickly defuse a potential customer's objection, establish value and credibility, and keep the negotiation moving forward. This is why it is vital to include careful team selection as part of the pre-negotiation process. Most negotiations only involve a few people directly, but indirect involvement by team members with discrete fields of expertise is often necessary. Once the team is assembled, an internal meeting is suggested in order to outline the rules of engagement and communication. The level of detail on team selection can vary greatly depending on the size and complexity of the deal.

### **Planning the process**

It refers to all the practical characteristics that must be defined, from the location to protocols and rituals (Adler & Gundersen 2007, p.239). Planning time is part of it, researches show that it does not matter the amount of planning time but how it is used, and in fact both skilled and average negotiators use the same amount of time. Exploring options requests managers to think as many options as they can in order to have greater chances for success. Establishing common ground implies that managers should focus not only on conflict areas but also on common ground. Focusing on long-term issues distinguishes a skilled manager from an average one, since the majority of them just consider short-term issues. Discussing issues independently instead of following a predetermined sequence planning allows managers to discuss each issue in depth. Setting limits consists in the tendency to set ranges objectives instead of single point objectives; this practice produces more bargaining flexibility. Finally both parties must agree upon location; negotiating abroad is completely different than negotiating in one's own country. The decision to negotiate in the counterpart's country may bring many disadvantages, from travel exhaustion to using another language. Sometimes the best solution is defining a third

country in which setting the negotiation, in order to share disadvantages between the parties.

### **Negotiating strategies**

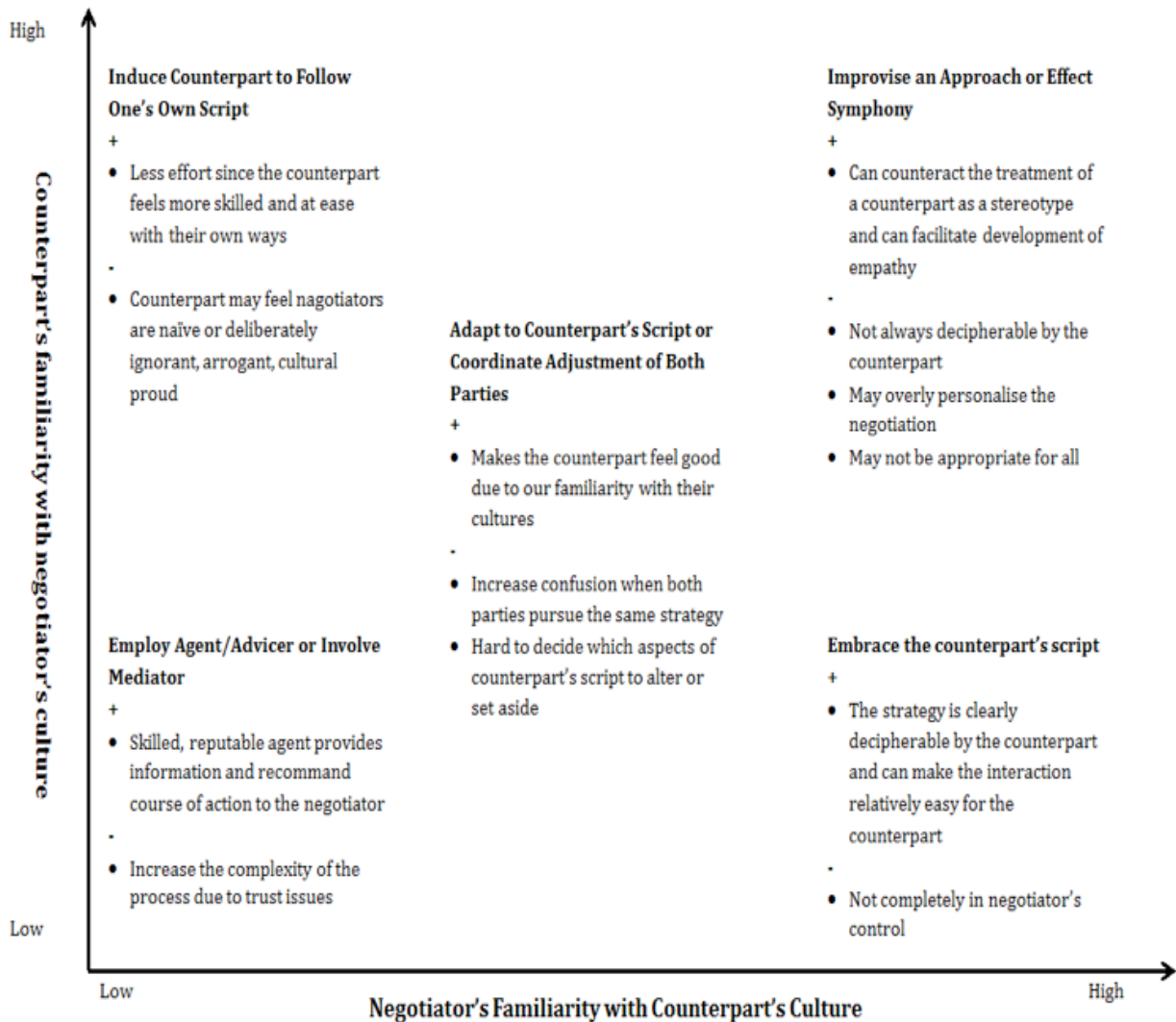
Anxiety, disorientation and frustration are all feelings that affect international managers before starting a negotiation. Four steps must be implemented before choosing the strategy (Ury & Fisher 1992):

- Separating the people from the problem, in order to be able to reject a suggestion or to disagree without rejecting the counterpart.
- Focusing on interests, not positions
- Insisting on objective criteria
- Inventing options for mutual gain

According to Weiss (1994, p.51), eight strategies, based on the level of familiarity between the parties, are available and presented in Figure 3.1. Every strategy is listed with pro and con notes. Taking a look to the left coin of Figure 3.1, in case of both low familiarities between the parties, the author suggests employing an agent or mediator. Agents might be financial, cultural or technical experts and translators who have familiarity of both parties. Otherwise, a mediator can be requested; this is a joint strategy where both parties rely on a third person to facilitate the negotiation. At the other end of the spectrum, when both parties are highly familiar with each other culture, the author suggests improvising an approach; it means that managers can look for a negotiating script that focuses on the individuals and the circumstances rather than on cultures. This strategy is favorable to both parties because none is advantaged. Finally, in case of moderate familiarity the negotiator can choose to adapt to the counterpart's script or negotiate the strategy with the counterpart before the real negotiation. The second suggestion requires the parties to create a joint approach in which elements from both cultures are mixed.



**Figure 3.1 Responsive strategies**



Source: Weiss (1994)

### **3.4 Relationship building**

After having acquired all the possible information through “understanding the counterpart”, the manager has then to face and get to know the other team. During relationship building the parties have to develop respect and trust, starting from discovering general areas of similarities. As already discussed in depth, building relationships involves investing time in so-called non-task-related conversations, broader topics such as arts, history, culture and so on. Even if, for Western cultures, this might appear a complete waste of time, other cultures consider small talks, dinners and ceremonies the beginning of a negotiation, even if business has yet to be mentioned.

Italians, like most South-European people, are generally relationship-oriented. They use to establish superficial relationships before negotiating. Meetings are more exploratory and analysis oriented rather than decision-oriented, Italians use them as a way to create respect and exchange information. Indians, more than other cultures, places great value on the quality of relationships, they use to take time and start meetings with non-business focused discussions.

### **3.5 Exchanging information**

This part of the negotiation process concerns exchanging information; who, what and how information is communicated. The topic will be explained starting from the theory developed by Hall (1976, p.101), who divided cultures between low and high context. What is meant by context is the framework, background, and surrounding circumstances in which communication takes place.

Asia, Africa, South America and the Middle East are generally considered high-context cultures, it means that people emphasize interpersonal relationships and tend to be collectivist, relational and intuitive. They are driven by intuition and feelings and they aim to gain group harmony and consensus rather than individual achievement. For all these reasons the communication tends to be indirect and formal. Messages are usually implicit with many metaphors and non-verbal communication. High-context culture tends to build long-term relationships with strong bonds or affiliation to families or communities, for this reason communication is not object of misunderstandings, most of the context is already known. Developing trust is the most important step, these cultures depend less on language precision and do not aim to conclude a negotiation with a signed contract, and in certain situations they might be offended by the lack of trust.

North America and Western Europe belong to low-context cultures, people tend to be individualistic and action-oriented. They value directness and facts and are driven by logic rather than intuition. Communicators are straightforward, concise and efficient; they use precise words that have to be taken literally. These cultures always conclude negotiations with a contract based on legal documents and language precision. Messages are overt and explicit, with more focus on verbal communication. Developing long-term relationships is not the principle objective and bonds between people are very fragile.

It is worth noting how many problems could arise when high-context cultures (such as Italy) communicate with low-context cultures (such as India). Traditionally India belongs to high-context cultures; it is characterized by courtesy, harmony, patience, loyalty and

pragmatism. Concerning communication, Indian style follows the high-context culture discourse. In most Indian languages, such as Hindi and Marathi, respectful forms are widespread even in everyday conversations. In Marathi, high respect for elders is seen in younger sisters and brothers never calling their elder sibling by their first name, but by *tai* (eldest sister), *mai* (second eldest sister) and *bhau* (eldest brother) (Nishimura, Nevgi & Tella p.792). Indian English is also more formal than British English, including classy and posh forms of speech. It is very polite with expressions of humility, honorifics and respect terminology (Mehrotra 1995, p.147). The use of long sentences and ambiguous expressions with multiple meanings often leads to misunderstandings between Indians and people from low-context cultures. For Indians, the purpose of communication is to maintain harmony and to forge relationships, not to exchange exact information.

Traditionally, Indians differ in their communication style from Japanese, Chinese or Korean by being more verbose and dialogue-oriented. Dialogue-orientation and a strong favor for a direct communication style may also be supporting Indians move towards low-context cultures.

The Italian culture is more inclined to high-context messages; Italians perceive messages as more than just words; a color or a scenario might change the meaning of the words completely. This does not mean that low-context messaging will not be effective in Italy. Italians, like Americans, are likely to indulge an idea conveyed to them in words. However, while Americans simply want “the facts,” Italians are open to different ways of communicating a message. Italians place more importance in the story as a whole, rather than just the words being said. Messages in Italy can convey meaning to more people through images and sounds rather than just using words. Proverbs and metaphors are very strong in the Italian culture and their use brings a strong sense of heritage into a message.

Contents are shaped through logic; in low-context cultures communication's logic and argumentative style are linear and direct, people judge someone who never goes to the point annoying and rude. In high-context cultures those elements are ambiguous, getting round is a way to highlight it with respect (Giaccardi, 2005). Mental maps are linked to the

language that everyone uses. For examples, languages with a poor grammar, such as ideogram languages, tend to structure the sentences in a different way.

Suggested verbal tactics, in order to avoid pitfalls and misunderstandings, might be: using behavioral labels, feeling commentary, questioning and active listening. Behavioral labeling refers to the act of planning what an individual is going to say before saying it. Skilled negotiators use labels such as: “Can I make a suggestion?” or “I would like to ask a question about” because they forewarn the counterpart. Feeling commentary involves explaining one's own feeling during the negotiation in order to clarify the situation, especially when it is about uncertainties. A negotiator might say, "I'm uncertain how to react to what you have just said. If the information you have given me is true, then I would like to accept it; yet I have some doubts about its accuracy. Can you help me to resolve this?" Active listening involves demonstrating to oneself and to the counterpart that the previous statement has been understood. Skilled negotiators use two powerful listening techniques: testing for understanding and summarizing. Finally, questioning suggests using questions as a primary source for gathering information. Skilled negotiators use questions more than twice as do average negotiators.

### **3.6 Persuasion**

Persuasion is the step in which hard tactics, such as threats, warnings or sanctions, and soft tactics, such as friendliness and interpersonal affection, are put at the negotiating table. The tactics, a culture tends to use more, reflect the masculinity/femininity orientation and the individualistic/collectivistic dimension, already presented in Chapter I. Some negative tactics are warnings, punishments, and threats, such as threatening one party to walk out the negotiation if it is too confident to the media. Positive tactics might be promises, recommendations, commitments and rewards, for example when a party offers itself to negotiate at the counterpart's city the following time because he/she appreciated the previous encounter. Non-verbal tactics include body distance, gestures, timing, silence, facial expressions and tone of voice. Silence is often misinterpreted because each culture uses and values it in a different way. An example of misunderstanding due to silence might be the dynamic that occurs between English and non-native English speakers. The second ones might require more time to fully understand and English tend to associate that time to rejections, which bring them to offering other concessions. Sometimes parties use “dirty tricks”, unethical and unpleasant tactics in order to gain an advantage. The best way to respond is, for the manager, to explicitly raise the issue during the negotiation, asking to establish procedural ground rules. The party has to be prudent asking clarification because he/she could be seen as blaming the counterpart through a personal public attack. Another common tactic is psychological warfare; when a manager recognizes a series of stressful and suspicious personal attacks should identify the problem. Also in this case, the problem should be singled out to the offending party in order to put an end to the attacks. Threats are a way to apply psychological pressure; positional pressure, for example, attempts to structure negotiations so that only one side can make concessions. The principled negotiator should recognize and ignore them where possible refusing to negotiate. The best way to persuade the counterpart is, obviously, creating mutually beneficial options where all parties win. Persuasion might be the only step in which cross-cultural negotiation results being easier than domestic negotiation. This because cultural differences can facilitate beneficial solutions that are impossible in the same cultural context.

### **3.7 Concession and agreement**

The last step is about making concessions and reaching an agreement. Concessions can be made at any time during the negotiation, but some cultures are more inclined to make small concessions throughout the bargaining process whilst others negotiate the concessions only as they reach a final agreement. This holistic approach is more common between Asian cultures while the first approach reflects an American behavior. The reason that drives some culture to make more concessions than others is linked to concession's value. Some cultures, such as Russians, view concessions as a sign of weakness, but others consider concessions an expression of trust and flexibility.

Once the parties get to a satisfactory agreement, they must get along on the agreement form. Some cultures rely just on a handshake while others are absolutely resolute on contracts. Shaking hands at the end of a negotiation expresses a willingness to cooperate and reach a deal. "By paying attention to this behavior, negotiators can communicate their motives and intentions, and better understand how the other side is approaching discussions." (Baer 2014). Shaking hands is linked to warmth and trustworthiness for Italian managers that are used to it but, it may be looked at as an invasion of someone's own comfort zone. Italians should use a cautious approach and wait to make sure of seeing that the counterpart appreciate it. Indian business men are quite westernized, they do shake hands with other men; however, they will not do so with women.

For what it may concern contracts, in addition to the fact that Indians have a different conception of contracts compared to Italians, it is important to keep in mind that negotiated agreements may not be implemented in a timely way. This is likely to cause confusion and perhaps anger in the Italian counterpart. Delayed implementation may, on occasion, be a deliberate act, but it may also be a product of last-minute contingencies such as bureaucratic obstacles. Italians should learn to identify when there is deliberate opposition and when the implementation is being impeded by factors over which the local partner may have little control.

### **3.8 Negotiating with Indians and Italians**

Every culture has its own negotiation attitude and orientation. In order to analyze Indian and Italian negotiation differences, some characteristic features will be studied; among them goal, attitude, personal style, communication, emotionalism, team organization, time sensitivity and risk-taking. These elements broadly define the negotiating profile of the two cultures. Once having a general knowledge of them the negotiation process might result easier.

#### **Goal**

What is meant by goal is the primary negotiation objective: a signed contract or a strong relationship between the parties. The general guideline suggests that Indian managers' goal, during a negotiation, is building a relationship (particularism) whilst Italian managers aim to sign a contract (universalism) (Shroff, 2000). Recent findings (Metcalf et al. 2006, p.6) show a shift due to India's rapid rise as a global player and the westernization of its business practices. Even if it looks like that more and more Indian managers prefer a contract, negotiators should be aware that the goals of a contract and a relationship are not exclusive and the achievement of one can lead to the other. As seen before, business practices tend to change due to globalization, that is why managers should not rely too much on the conventional division between particularism and universalism. It is just a general assumption that negotiators from India are relationship-oriented; they might aim to sign a contract as well as Italians. When an Italian manager has to negotiate with an Indian counterpart, personal small talks have not to be taken too lightly because they are very important for particular cultures. On the other hand, an Indian manager should be prepared for rational professional arguments and presentations that push for his/her consent. Indians might consider the Italian way to “get down” to business impolite; actually it is just the western way of doing business and saving time instead of “wasting” it with chats. Anyway, as explained before, Italians have a different attitude compared to Americans, Italians during meetings enjoy spending some time getting to know the counterpart, but it is only a limited amount of time.



## **Attitude**

Attitude is the type of approach a manager decides to use before or during a negotiation. The first type of attitude is called “win-win” and it is a process in which both parties win, the second is known as the “win-lose” attitude and it is a struggle in which there is a winner and a loser (Salacuse, 2003). Win-win negotiators conceive negotiation as a collaborative and problem-solving process whilst for win-lose negotiators it is a confrontation. The optimal situation is when both parties are keen to achieve a mutually satisfactory outcome. In this case, they would be willing to cooperate in order to gain some of their goals but they will also let the others achieve some of theirs. There are always issues in terms of price, quantity, delivery dates or guarantee but there is also a way to solve them through reasonable concessions. Due to differences in culture, it is important to understand which type of attitude Indian and Italian managers hold. According to the research of Metcalf (2006, p.6), Indian managers show a strongest preference for win-lose outcomes. Western negotiators reported that Indians never accept the first proposal and try to squeeze as much as possible. Sometimes they negotiate for weeks trying to get the best deal until the counterpart gets tired of negotiating and agrees to their price. Italians, on the other hand, look for win-win solutions. Italians are used to bargaining and generally do a lot of it during a negotiation; they generally look for concessions and an agreement that might satisfy both parties.

## **Personal style**

Personal style points out the way in which negotiators interact with others, use titles and dress. For Italian managers dress and presentation are very important because they are considered a sign of wealth and success. One’s own manner of dress is the reflection of the public image; brand names and sense of style are all important ways to judge someone in Italy. The manner of dress for work is usually formal, Italians pay particular attention to dress and grooming and give a lot of importance on first impressions. Formality and courtesy are always appreciated, as well as the use of professional titles. Indians too prefer

a formal personal style; they use to follow the rules that govern professional conduct, negotiating procedures and hospitality.

## **Communication**

Communication stands for the orientation of a particular culture towards direct and simple communication instead of an indirect and more complex style of communication. Besides verbal communication, some cultures privilege eye contact and touching more than other cultures, which might consider them offensive. Concerning eye contact, huge differences can be found between Italian and Indian managers. For Italians, direct eye contact is the norm and is expected and appreciated. It is usually considered rude to not look someone in the eyes when speaking, especially when shaking hands. Most Indians make direct eye contact too during conversation; however, Muslims (Islam is the second largest religion in India) tend to avoid eye contact during a conversation as a sign of respect for the speaker. This is especially the case with Muslim women, whose cultural norm of modesty discourages eye contact with unfamiliar males. This tendency towards eye contact does not have to be understood as an offense or a way to not pay attention to someone. Muslims avoid touching members of the opposite gender or strangers, including shaking hands, hugging, or patting the shoulder. Touching may be acceptable only between members of the same gender. A suggestion for Italian managers is to shake hands only if the counterpart offers and to step back if he/she is standing too closely. An arms length is a good distance to keep between managers that are negotiating together for the first time.

Concerning verbal communication, Indians generally use an indirect ambiguous style to show respect and avoid confrontation. They may overlap each other while speaking, increasing the volume and speed of dialogue; Italians managers do not have to wait for an invitation but they have to jump in the conversation.

## **Time sensitivity**

Time sensitivity refers to the way a culture perceives, structures and reacts to time (punctuality, willingness to wait and interactions), in the negotiation field. It represents the negotiators' attitude towards time, if they use to negotiate slowly or quick. Both Italian and Indian managers show a strong sensitivity towards time. “Time is money” is not a common phrase in Italy and Italians use to negotiate very slowly in order to carefully analyze every advantage and risk. Moreover, their hierarchical decision-making process slows down every singular step of the negotiation process; Indians have to be patient giving time to their counterpart. Foreign managers should be punctual for business meetings, although the Italian executive may not be; being a bit late with a god reason will not have negative consequences. Indians generally expect punctuality for meetings but they are very flexible and take their time without disastrous consequences. Patience is very important when negotiating with Indians; a lack of it might create frustration, stress and anger, which could lead the counterpart to become aggressive. Translating it into a practical example, an imagined negotiation between an Italian and an Indian company that takes place in India, the Indian company would probably prefer an approach based on formalities in which the attention towards time is marginalized. The Italian counterpart, on the contrary, would be keener to sign a contract wasting the minimum possible time and trying to rapidly conclude the practice in order to get home.

## **Emotionalism**

Emotionalism reflects the tendency to act emotionally and to show emotions while negotiating. Since Italians are vivacious people, emotions may be more tolerated in public than in other countries. Italians show their emotions very openly, speaking loudly and passionately; they enjoy discussions and debates. However, it is crucial for managers to never appear impatient, as there is always a risk of hurting someone's pride. Italians in the South generally converse in close proximity, standing only two feet or less apart. Italians appreciate animated discussions but, generally, business meetings are quieter affairs. They are mostly conducted in a controlled atmosphere, and the person with the highest authority

rarely has to raise his/her voice. It looks like Indians tend not to display emotions or at least, they tend to keep emotions under the surface in business and in negotiations.

### **Team organization**

Some negotiating teams are led by a manager who possesses complete authority while others stress team consensus. In Italy most of the companies are hierarchical with a clear established line of authority. Generally senior managers use to lead the negotiation but sometimes other managers are consulted, in order to reach greater consensus for supporting a decision. Indians might difficulty identify the primary decision maker, anyway it is strongly advisable to make contact with the most senior manager, seeking to get his/her support even if the person is not the only decision maker. The manager makes decisions after having held discussions with the staff; he/she follows the standard procedure of consulting staff members but tends to impose his/her vision and ideas. When making decisions, businesspeople usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh more strongly than empirical evidence and other objective facts, but all aspects are considered. Indian managers are split almost evenly between consensus and one leader.

### **Risk-taking**

Some cultures are more risk-taking than others, as pointed out with the Hofstede study. Indians are more likely to favor a risk taking approach than Italians, who are often uncomfortable with change and reluctant to take risks. Relationships and feelings play an important role in taking risks in India, Indians tend to take risks with a person whose intentions they trust. Credibility and trustworthiness are critical in negotiating a deal. Indians that want Italians to support a risky decision, may need to find ways for them to become comfortable with it, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

### **3.9 Negotiation challenges**

“...and I remember the first clashes when we had the meetings with the Indians who came one hour, up to two hours late...We said that if we can’t even agree on a meeting time, then there’s no hope of us setting up a joint venture together. Afterwards there were no problems.” (Kumar 2005, para.20)

“So for a culture that has the same word for ‘yesterday’ and ‘tomorrow,’ how do you expect us to ever be on time?” (Kundani 2014, para.1)

Kumar (2004, pp.304-334) explained the nature of the Indian mindset as the predominance of one out of three orientations: Brahman idealism, anarchical individualism and poverty syndrome. Brahman idealism has been described as a mode of thinking “... in which the individuals look for the best possible solution to a given problem”. The implications of this mindset are reflected on Indian negotiation style through high expectations, over critics, moralistic standpoints and scarce compromises. The last implication is related to the preference towards a distributive strategy instead of a problem solving one.

“Indian officials and strategists tend to over analyze, to read too much into events.... They take pride in demonstrating this mastery during negotiations and often assume that superior knowledge about a particular issue signifies a superior position.” (Cohen 2001, p.23)

Anarchical individualism leads individuals to think that their ideas are superior to those of their employees and their viewpoint is the most powerful. This mind set produces difficulties for Indians to work together as a team group and towards a common goal. The individualistic tendency provokes slowness and inconsistency of decision-making processes and information sharing.

Poverty syndrome is considered a process in which people think that they are much poorer than what they are and scared of becoming poorer (Sinha & Kanungo 1997, p.81). This mindset produces anxiety towards distributive justice and hesitancy to make concessions easily.

Among the criticized Indian negotiating features, reported by Italian managers, time sensitivity is one of the most complained. Italians find it difficult to get used to Indian flexibility towards time. Only after some time interacting one another, Italians might end up recognizing the virtues of flexibility and start using a more relaxed approach.

Negotiating with Indians might be challenging for an Italian manager because, at first sight, it may be difficult to recognize the intentions of the Indian counterpart. Italians may get frustrated by the slowness of the process or the excessive demand for all kinds of information.

Uncontrolled imagination may be a problem too, in a business setting, but a focused imagination may well work to the advantage of everyone. It allows negotiators to be creative and original but in a disciplined way. When an Italian negotiator is confronted with Indian highly idealized thinking, he or she can either reject it or attempt to funnel it in ways that might be mutually beneficial. A complete rejection may cause the Indian negotiator to become disheartened and resentful.

The idea of a binding contract will not facilitate Italians in doing business in India. Often the only way to succeed is manifesting flexibility in cultural, political and social spheres. Italians should remember that often, flexibility may be beneficial even for them, but this does not mean that they have to accept all the changes that Indian managers are not ready to adapt to.

Although the negotiation style in India is different from that in Italy, Italians can cope with these challenges. They have to understand which skills they should enhance to operate in the Indian business environment, they must be keen to learn new ways of doing things and appreciate the constraints of doing business in an emerging economy. As the Italian expatriate manager, Silvio Napoli, once stated, “To succeed in India you have to be one-half monk and one-half warrior. So far, I’ve learned to develop my monk part.” (Kumar 2005, para.27) Among the differences he met, it is worth noting clashes of timetable and

different top executive management styles. Moreover, he stated that he was regarded as a tough and aggressive manager by his Indian staff.

Italian managers should learn to manage legitimacy, the perception that every action, as a foreign firm doing business in India, is perceived to be appropriate. For example, the contract is perceived to be fair and no undue pressure is exerted on the Indian counterpart in signing.

On the other hand, often Indian managers do not worry too much about negotiating with Italians because they had previous experiences with other European countries and assume that Italian negotiation style is alike. As stressed by Katz (2006), "If you think there's one Europe... think again." Every member of the EU has its own national laws that co-exist, and interfere, with EU regulations. Negotiating styles differ widely depending on each economic situation and cultural preferences. Taking a look to both Katz's figures (Figure 3 and Figure 4) it is possible to note differences, not only between countries but also between North and South Italy (the only country that the author split). The second figure shows how European countries conceive negotiation; if as a serious process in which good faith is expected and all information are supposed to be accurate and verifiable or a game that has to be enjoyed, made of extensive haggling and incorrect or misleading information. In conclusion, Indian managers should rely only on specific country information and legal advices rather than on generic EU guidelines.

**Figure 3.2** Expectations of upfront relationships

<b>Little or none</b>	<b>Some</b>	<b>Extensive</b>
Belgium	Austria	Cyprus
Finland	Hungary	Greece
France	Northern Italy	Southern Italy
Germany	Poland	
Sweden	Portugal	
United Kingdom	Romania	
	Spain	

**Figure 3.3** Understanding of negotiations



Source: Katz (2006)



### **3.10 Findings**

Summing up, a cheat sheet, like the one that follows, can be a useful tool on which a manager can rely on and expand it within his/her team group. A brainstorming is always beneficial before a negotiation in order to discuss all the available information and find out how to get to know the other information.

1. What do we know now?

- Has anyone been to Italy/India? Or does anyone know someone who has been there before?
- What language do they speak?
- What about religion?
- What about greeting? (Gift/hand shaking/bow/eye contact)

2. What do we need to know?

- The national culture: individualism or collectivism
- Power orientation: power distance
- Goal orientation: life or career
- Uncertainty avoidance: weak or strong
- Context: high or low
- Background of the company/individual of the negotiating team
- Previous international negotiation experiences of the counterpart

3. How can we find what we need?

- Get a mediator
- Find someone who has the experience of dealing with the culture
- Cultural coaching

4. What do we do next? Which strategy is the best?

- Induce counterpart to follow one's own script
- Adapt to counterpart's script
- Embrace counterpart's script
- Improvise an approach

In closing, it's worth highlighting that national culture does not tell everything about the manager sitting across the table. Every individual expresses not only his/her culture but also his/her own negotiation style, which affects the all negotiation process and it is impossible to predict. Moreover, beyond the mere citizenship, an Italian manager, for example, may be from a particular region, have a foreign parent, feel European, have studied and got his/her degree in an overseas university. Gender, ethnicity, and profession all mix and play a significant role in negotiation. It is essential to also consider the organization behind the manager who is across the table, along with assessing the person. To do that, what is needed is to carefully map the governance and decision-making processes of that particular organization. Then, negotiating strategy and tactics must be designed in order to reach the right person, with the right arguments, in a way that allows maximum impact and, to follow, the most profitable deal.

## **CHAPTER IV**

### **Diversity issues:**

#### **from multicultural teams to global leaders**

This chapter will tackle diversity and its implications on global leadership styles. Diversity will be explored in all its facets: pros and cons, why the majority of companies face diversity and its impact on old and new organisations, like MNCs. It will then analyse how and why Italian and Indian organisations embraced diversity and the contradictions that distinguish some diversity projects from others. Two case studies will be used to give examples of diversity projects: the first concerns the Italian food company Barilla and the second is a Coca-Cola campaign launched in India and Pakistan.

The diversity part will be concluded explaining some of the best techniques managers can introduce to promote integrity, in case of miscommunication or lack of trust and identification between minority group members. After diversity, the chapter will follow focusing on the skills a manager should develop in order to lead a multicultural or virtual team, instead of one based culture team, in today unified market. Since a global manager faces more challenges, compared to a manager who only acts into domestic boundaries, some suggestions will be drawn looking at a couple of successful Italian and Indian leaders. A brief part of the chapter will also highlight the “Global Leadership and Organisational Behaviour Effectiveness”, a research that provided significant results for leadership studies.

#### 4.1 Why diversity

“Diversity is all the ways in which we differ and how those enable, enhance or inhibit the ability of individuals, groups, and organisations to achieve individual, collective and/or organisational goals and objectives” (Davidson & Fielden 2004, p.60)

“Diversity Management refers to a strategic organisational approach to workforce diversity development, organisational culture change, and empowerment of workforce. It represents a shift away from the activities and assumptions defined by affirmative action to management practices that are inclusive, reflecting the workforce diversity and its potential. Ideally it is a pragmatic approach, in which participants anticipate and plan for change, do not fear human differences or perceive them as a threat, and view the workplace as a forum for individual’s growth and change in skills and performance with direct cost benefit to the organisation.” (Arredondo 1996, p.17)



Source: HSBC 'The World in 2050'

The diversity issue is almost universally widespread, even if with different names: employment equity in Canada and South Africa, equal opportunity in the UK and Australia, affirmative action in the USA. Diversity consists of several sets which inscribe each person: age, ethnicity, gender, mental/physical abilities, race, sexual orientation, education, religion, life experiences, income, language, marital status and so on. Nowadays management diversity has become an issue faced by more and more companies, which aim to understand and exploit the increasingly multicultural market. At a certain level, every company faces diversity due to external and organisational changes. The global market unification, achieved through deregulation laws, liberalisations, privatisations and suppression of commercial barriers; added to the transition from industrial economy to service economy and IT/e-commerce development, deeply changed the way companies were used to produce and sell. Important changes affected the workforce too; progressively ageing of people, new immigration flows and women affirmation in the workplace are some of the most significant.

In this regard, it is possible to divide companies that “need” diversity from companies that “want” diversity. When companies are obliged to face diversity, it generally means that they have no alternative due the elements already listed and to non-homogeneous market characteristics. This is the case of certain countries or cities, Singapore or Sydney, for example, where it is impossible to seek homogeneity. According to 2013 census, Sydney counts, among its habitants, 60% of people born in Australia and 40% overseas, with the most common countries of birth being England, China, India, New Zealand and Vietnam. When a manager calls people for an interview has more chances to hire a Chinese, a Muslim, an employee with disabilities, a person fluently speaking more than one language rather than an Australian English-mother tongue citizen. Different is when companies look for workforce diversity on purpose, so as to take advantages of all diversity benefits - increasing decisions' quality, learning opportunities, further external links and innovations. More and more multinationals, like Yahoo, Toyota, Cisco and Coca-Cola, support diversity and the 'World Day for Cultural Diversity for Dialogue and Development', announced by the UN General Assembly - resolution 57/249.

Each year the DiversityInc survey assesses more than 1,200 companies and draws up a ranking of the top 50 companies which support diversity. 2014 top one was Novartis Pharmaceutical Corporation, premiered for its fifteen employee resource groups, including groups for working parents, caretakers and a “Cancer Hope” group. More than 40% of its employees are members of these groups, considered an immense potential for talent development as well as for marketing efforts to communities.

## **4.2 Application of diversity in India & Italy**

Interesting is considering why and how India straightened diversity. Beyond other sets, diversity is about including people from different cultural backgrounds; however, it looks like Indian need to establish a diversity guideline aimed to include people of the same national background. Government action focused on the public sector in order to lessen intra racial discrimination and to bring underprivileged classes on a par with general ones. What outlined the policy's implementation is the country's caste-based social system. A situation completely different can be observed in many Western countries, among which Italy, where workplace diversity issues are mainly based on interracial differences, such as immigrant settlement.

Indian government action started in the 1950s with a reservation policy initially meant to favour scheduled castes and scheduled tribes as primary beneficiaries for government jobs and educational institutions. It is not really clear which elements define an individual belonging to a scheduled caste or a scheduled tribe, generally the former group refers to the so-called “untouchables” whilst the latter to geographically isolated tribes. Giving individuals labels means designing them to a precise category and, accepting these labels, 'circumstances of “story” have to be relinquished to the bureaucratic dictates of “case” (Zetter 1991, pp. 45-47). Scheduled tribes and castes' labels impose an institutionalised dependency and a stereotyped and highly politicised identity. Since the application of the term is imposed by bureaucratic activities the label becomes a form of control, a kind of stereotype that excludes any distinctiveness or exclusively. Anyway, beyond the negative effects of labels, the main conditions, which affect those groups, are backwardness, isolation and a distinctive culture, such as particular languages or forms of worship that cannot be found anywhere else. Reservation quotas ended up extending beyond the first beneficiaries, till the inclusion of quotas reserved to women, terrorist victims from Kashmir, physically handicapped, religious minorities and so on. These actions found many negative critics; the government was accused of discouraging the merit based system and of triggering inter group conflicts, moreover, this reservation policy ignores fluidity in a person's identity, denying the possibility to change religion or culture. The main critic

concerns the vote bank policy implemented by the government in order to insure consistent votes from the specific communities it is helping. On the other hand, enacting these policies, the Indian government launched a significant welfare provision: the right to work, central of the democratic premise India is speaking up as global player. Even if assuring human dignity allowing specific individuals to work, affirming caste or tribal rights through “caste certificates” is not proving to be the best solution to fight a discrimination mechanism that still drives relationships among citizens of the same nation. Scheduling Indian citizens in precise groups might decrease the level of affinity among them and the nation they are part of. Defining nations as the encounter of three irreplaceable ties; '(1) a 'memory' of some common past, treated as a 'destiny' of the group - or at least of its core constituents; (2) a density of linguistic or cultural ties enabling a higher degree of social communication within the group than beyond it; (3) a conception of the equality of all members of the group organised as a civil society' (Hroch 1996, p. 79), it looks like India does not really match the requisites. Cultural ties and equality among members are still far from the ideal Indian citizen in a nation where several states are enacting separatist movements to seek independence from the union.

For all these reasons a debate between the establishment of goals instead of quotas, as mere percentages and fixed numbers, arise. What favours goals is the possibility to change or abandon them when are no longer needed or damaging. Choosing goals over quotas allows to do not hire unqualified workers or when vacancies are unavailable. Ineffective social policies are generally the result of a poor implementation at the organisational level and, in this case, of an increasing corruption that allows non-scheduled Indians to simply buy caste-certificates. The private sector is not bound by this system of quotas; nevertheless, many Indian companies voluntarily embrace diversity, initially as an initiative to involve more women into their workforce. The Tata Company, with more than 350,000 employees, does in-house surveys to assess its Dalit and tribal work force. It gives incentives and sets lower requirements for exam marks for Dalit and tribal job applicants.

Wipro Technology, one of India's top InfoTech firms, managed to include about 35% of women in the IT industry, thanks to its diversity council which brought the company to win



the 2014 Women's Empowerment Principles Leadership Award: "*Cultural Change for Empowerment*". The award honours the implementation of the principles established through a collaboration between the UN Entity for Gender Equality, the Empowerment of Women and the UN Global Compact. The principles suggest how to empower women in the workplace and how to promote education and quality through initiatives aimed to achieve gender quality. Beyond Indian companies, many MNCs operating in India are strongly supporting diversity too. Their main objective concerns improving women employment opportunities. "Motorola's country diversity council for India", "Cisco's 18 per cent female workforce" and "Coca-Cola's women operational trainees" are some of the MNCs' successful projects.

Another Coca-Cola project that expressed the potential the company has, in terms of exploiting the workplace to exchange communication, ideas and get people closer regardless of differences, was "Bringing India & Pakistan together". The 2013 Coca-Cola project was intended to create a simple moment of connection between Indians and Pakistani. The company installed 3D touchscreen selling machines in Lahore and New Delhi with live and mirrored communication portals. Every time someone wanted to buy a Coca-Cola in India was invited to engage in simple friendly tasks such as touching hands, drawing peace and love symbols or taking a photo with a stranger in Pakistan. The company demonstrated its ability to raise awareness of a socio-political problem, which has been dividing the two countries for years, in such a way to also raise its economic profits.

Looking at the Italian scenario, diversity issues developed slower than overseas. The introduction of laws supporting certain employees' categories goes back to the end of the 1990s. Law 68/99 established the placement of handicapped, refugees, widows, orphans and so on, in measure of the company's size and Law 903/77 affirmed equal treatment for men and women on the workplace. Somehow private sector is bound by diversity laws, nevertheless, many Italian companies arrange internal boards committed to increase employees' number and categories who could enrich company's human resource. It must be said that companies who really look for diversity do not stay focused on number and

percentages, they just focus on the job seeker they are interviewing and look for what his/her distinctive characteristics could positively bring into the company's workforce.

At the end of 2013, Barilla, one of the most successful Italian food companies, announced its new “Diversity & Inclusion Board” and its participation in the Corporate Equality Index (CEI). The same year, on 4<sup>th</sup> November, the first conference on diversity issues, organised by Il Sole 24 Ore, L'Impresa (Il Sole 24 Ore's magazine) and Lexellent took place in Milan.

Barilla's Diversity & Inclusion Board aimed to establish strategies for improving diversity and equality in the company's workforce and its participation in the CEI was intended to measure and rate its policies and practices pertinent to lesbian, gay, bisexual and transgendered (LGBT) employees. Curiously Barilla's commitment to diversity issues increased after Chairman Guido Barilla's interview talking about the role of women and gays in advertisements: “For us, the “sacral family” remains one of the company's core values. Our family is a traditional family. If gays like our pasta and our advertisings, they will eat our pasta; if they don't like that, they will eat someone else's pasta. You can't always please everyone not to displease anyone. I would not do a commercial with a homosexual family (..) because I don't agree with them and I think we want to talk to traditional families. The women are crucial in this.” Soon after the interview, Barilla apologised on social networks and a story of a lesbian mother and her partner appeared, among many other stories, on Barilla's blog “share the table”. Customers have then been appeased by Chief Executive Officer Claudio Colzani words: “we are committed to promoting diversity further because we firmly believe that it's the right thing to do.”

Used as a marketing strategy to attract more clients or as way to promote the inclusion of certain employees' classes, diversity implementation in the majority of Italian companies is still backward compared to many other countries. By the way, promoting inclusiveness of people with miscellaneous backgrounds in a company can only work when the values the company promotes are really shared, otherwise the risk is to face contradictions and inconsistencies, as Barilla did.

### **4.3 Promoting integration**

Gordon (1964, pp.22-27) studied different ways to promote integration when diversity challenges put to the test employees' working skills. Negative diversity effects might increase miscommunication, frustration and stress, and decrease trust and identification among members. When counter-productive factors occur, these following actions might settle differences:

**Acculturation** refers to cultural differences between host culture and minority groups. Actions could include orientation programs, language training, cross-visits, celebrations and similar socialisation rituals. The women's clothier Esprit De Corp, realising how many of its employees were foreign-born, started managing Italian, English and Japanese classes to facilitate the communication. The goal is to create a joint organisational culture where differences are not hidden but shared.

**Structural and informal integration** are actions meant to promote integration, not only across the workforce company in general but with regard of every function and level. In particular, informal integration promotes inclusion of minority groups in events, from dinners to athletic outings, in which they could socialise better than during work hours with their peers.

**Organisational identification** aims to raise the identification level of an employee with its organisation. The more minority groups perceive themselves as part of the company they work for, the more productive their work will be.

**Inter-group conflict** reflects the inevitability of conflicts. Conflicts must be well managed and should not degenerate into power struggles. The best ways to minimise them are survey feedbacks and conflict-resolution trainings. Survey feedbacks are helpful to raise private minority group problems' awareness whilst trainings are addressed to managers who want to learn conflict management techniques.

#### **4.4 Defining global leaders for global teams**

Studying leadership involves exploring different fields: history, politics, narrative, philosophy, management, law, psychology, sociology, film studies and so on. Focusing on the workplace, leadership might be conceived as the ability to motivate and lead employees towards the success of the organisation of which they are members (Bird et al. 2010, pp.811-820). Leadership is a challenging manager position even in a domestic company; a leader, supposed to efficiently lead a multinational company, is even more challenged. Since more and more companies are interacting on international trade, the traditional leader character is changing towards a new type of leader, the global leader. The global leader addresses towards virtual and/or multicultural teams. Leading a virtual team involves working in a globally dispersed workplace, having to do with technology interfaces and different time zones. Since employees can interact with their leader only virtually, leaders must possess efficacious communication skills, especially in face-to-face communication. Leading a multicultural team, instead, involves having to do with heterogeneity on multiple dimensions. No one expects his/her leader to know everything about one's own culture but everyone does expect respect and awareness of potential conflicts with other minority groups. Even if dealing with multicultural teams virtually or in the office, some of the skills a global leader must possess are changing, the main ones have been listed and analysed through three sets of competences.

##### **Perception management**

The first competence is known as “perception management” and evaluates how a leader cognitively approach cultural differences. The skills, labelled under perception management, are:

- Cosmopolitanism: flexibility and willingness to work in pluralistic cultural environments, curiosity and interest in different cultures and international events. It “represents a state of mind that is manifested as an orientation toward the outside, the Other (...) a willingness to

explore and learn from alternative systems of meaning held by others” (Levy et al. 2007, p. 240).

- Patience towards ambiguity: this skill involves tolerance in case of ambiguous or uncertain situations and capacity to use them as motivation to solve following similar situations.

- Openness: active search of new enrichments, behaviours and values. Also defined as “the capability to accept new ideas and see more than one's own way of approaching and solving problems” (Tucker et al. 2004, p.230).

- Suspension of judgements: the inclination of avoiding judgments in case of unfamiliar situations, which might require more time for in depth understandings.

- Category inclusiveness: tendency to include, instead of exclude, in categories even if people or situations are completely unknown.

### **Relationship management**

This set of skills describes leaders' awareness of others and the style they use to interact with them. Four dimensions are included:

- Emotional sensitivity: ability to understand others' emotions and display courtesy, empathy and kindness.

- Self-awareness: awareness of one's own values and interpersonal skills.

- Interpersonal engagement: a leader's desire to interact and build relationships with foreigners.

- Social flexibility: one's own aptitude to create positive impressions, “the ability to modify ideas and behaviour, to compromise, and to be receptive to new ways of doing things” (Kealey 1996, p.86).

## **Self-management**

Self-management skills indicate a leader's abilities to manage emotions and stress and to adapt to a foreign workplace.

- Self-confidence: one's own confidence in himself/herself. Optimism, determination and tendency to work hard to overcome an obstacle.
- Non-stress tendency and stress management: awareness of one's own ability to cope with stress and use stress reduction techniques. Stress is one of the main factors that affect daily work in unfamiliar environments.
- Interest flexibility: ability to find new interests that might replace personal interests when unavailable in the host culture.

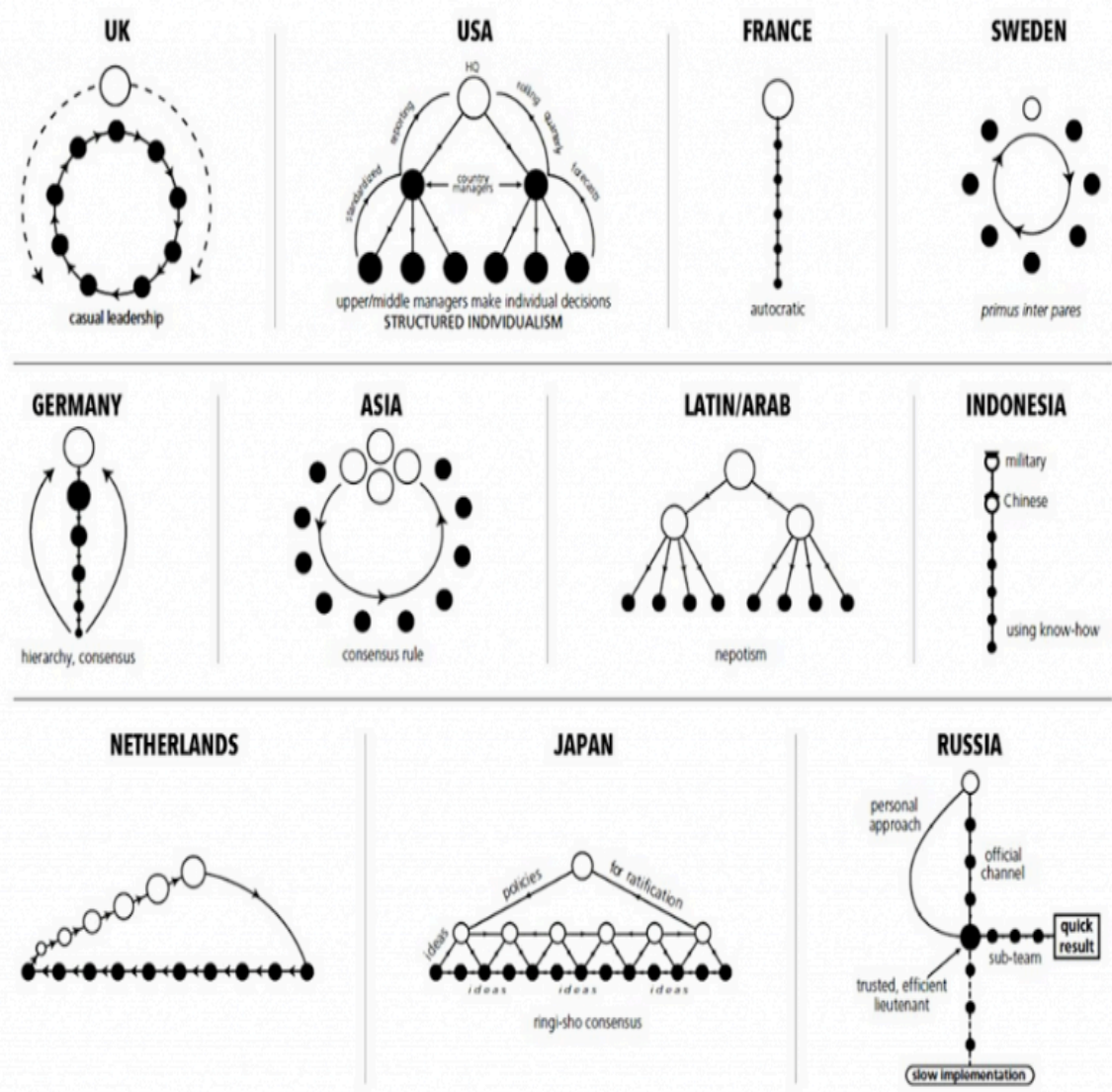
All these skills must converge in one single manager who has the potential to become a good global leader. At this respect, a manager, even if global, is always driven by his/her national leadership style, which might be ineffective while leading a team composed by at least two different nationalities. Every culture has its own leadership style and adapting to another one usually requests a lot of time, depending on the leader's abilities to manage to being accepted and respected by his/her team.

Figure 4.1 shows eleven different leadership styles that vary from culture to culture. Japanese employees, for example, recognise great respect and power to their leader but always maintain a certain distance and little involvement in the company's affairs. Australian managers, instead, use to perceive themselves on the same level of their “mates.” They are able to exert influence even if power distance between them and employees is undetectable. Spanish leaders are autocratic and charismatic; they tend to work more through intuition rather than logic and pride themselves of their ability to influence and lead all their employees.

Global leaders should hold the cultural competences that define their main roles, for this reason they must be boundary spanners, bridge makers and blenders (Zander et al. 2012, p.597).

Boundary spanning is a relevant competence for virtual and multicultural team leaders. They have to identify themselves with all groups and create positive synergies among them. Employees must respond with trust and confidence, they must always perceive that their leader will protect and act in respect of their interests. Bridge making is the ability to act as a bridge in facilitating communication, regardless of linguistic barriers, and understanding of different team members' backgrounds and experiences. Leaders should always foster cohesion and recognition across cultural boundaries. Finally, blending indicates the action of subgroups' unification and developing high quality individual relationships.

**Figure 4.1** Leadership styles around the world



Source: Adapted from Lewis (2004)



#### **4.5 The Globe**

The "Global Leadership and Organisational Behaviour Effectiveness" (GLOBE) is a research program conceived in 1991 to collect ideas on the characteristics of a good leader and to compare results between different cultures. Examining 112 leader characteristics, GLOBE generated six leadership styles and ranked them in a comparison table:

- The charismatic/valued based style, a type of leader who stresses innovation and manages to inspire people around a vision.
- The team-oriented style, a style which premieres loyalty, collaboration and team values over goals.
- The self-protective style, which is concentrated on the safety and security of individuals and the group. For this reason, it encourages status-conscious and face-saver procedures.
- The participative style, which emphasises delegation, equality and it encourages the participation of all members.
- The humane oriented style, it accentuates generosity, patience and modesty.
- The autonomous style pictures a leader who is independent and individualistic.

**Figure 4.2** Indian and Italian leader styles

<i>Country</i>	<i>Charismatic</i>	<i>Team-Oriented</i>	<i>Self-Protective</i>	<i>Participative</i>	<i>Humane-Oriented</i>	<i>Autonomous</i>
India	5.85	5.72	3.78	4.99	5.26	3.85
Italy	5.99	5.87	3.26	5.47	4.37	3.62

Source: Adapted from Den Hartog et al., 1999

Low scores between 1 and 3.5 indicate that a style is seen as inhibiting good leaders. Scores between 3.5 and 4.5 stress that a style is not so important in order to define a good leader and high scores from 4.5 to 7 indicate that a particular style critically contributes to define an outstanding leader.

#### **4.6 Indian & Italian leadership style**

“If people connect with your vision, they will stay with you. Be it investors, customers or employees.” Dhiraj Rajam, Founder & CEO of Mu Sigma.

“Hire people smarter than you and empower them.” Parag Shah, Managing Partner at Mahindra Partners.

Indian leadership style is not clearly defined because researches show different findings and contradictions. Most of them reflect the Hofstede's research on power distance, with autocratic leaders who difficulty accept critics or suggestions from subordinates, if not asked (Swierczek 1991, p.4). Hierarchy has always been an undeniable aspect of Indian society, observable first of all within the family and, then, in society; roles, responsibilities and expectations hinge on where one stands in the hierarchy. The more valued characteristic a leader should possess is commitment to employees' growth, for this reason Indians tend to link leaders to direction, support and encouragement. The growth process is based on a reciprocal influence relationship between a leader and his/her employees. On the other hand, many researches show a different perspective, especially when comparing Indian work culture with US work culture (Fraser 2011, pp. 445-450). The general belief, as already presented, states that Indian relationships between leaders and employees are very formal whilst Americans have a more informal approach. New researches show that more and more Indian companies are now performing a level of informality and open culture never seen in the US. Many Indian leaders, like Dr. Goenka of Mahindra Organisation, reported on meetings with US counterparts in which they found only the American CEO speaking on their employees' behalf while those from India used to participate uniformly with their employees (Kar & Khicha 2011, para.1).

It can be argued that the leadership style varies depending on the type of work organisation. Here two types of Indian organisations will be analysed: family managed traditional organisations and private or foreign owned organisations.

In family traditional organisations leadership styles are definitely autocratic and paternalistic. The leader is the only rule maker but thanks to his/her empathy towards employees, he/she tends to act in a fatherly way. He/she takes care of employees' needs and nepotism is an obvious consequence of traditional Indian companies. Family members hold key positions and work in close union, often develop close personal relations and come to each other's support in difficult times. The paternalistic attitude leads the entire organisation and reflects inheritance management, a leadership style which aim to keep the organisation highly centralised (Turner & Muller 2005, pp.49-61). Private managed organisations and foreign-owned organisations are, instead, generally driven by democratic and bureaucratic leadership styles. The reason is that multinationals do not bring only their technology but also the work culture, more permissive and conducive towards the application of modern management approaches. The degree of participation is believed to be greater in this type of leadership style, it tends to equal status differentials, class distinctions and impersonal relationships, which work against participative style.

One of the most famous and appreciated Indian leaders, chairman of Tata Group, is Ratan Naval Tata, whose main leadership's qualities are passion, innovation, imagination and courage. His creativity and vision are the main characteristics that define his work in the company. For these reasons he represents a form of leadership, known as “transformational leader”, whose main traits are idealised visions of the organisation's future, risk-taking attitudes and a strong desire to break from traditions (Cullen 2011, p.629). Ratan Tata pointed out that creativity is a nucleus of business excellence and supported the “Innovation Forum” aimed to generate ideas among people and to bring them in practice. He always supported innovative products such as the Nano car, the lower priced car in the world. He came up with the low price car after seeing a four members' family travelling by a scooter, which is very common in India, and thought about a car that could match middle-class families' needs. Even if the world cheapest car called into question environmentalists, worried for an eco disaster in a nation of more than one billion people, he made automotive history.

Another product, a compact in-home water purification device, has been developed to clean drinking water for people at low cost, less than Rs. 1000. This idea was conceived by Ratan Tata after the tsunami tragedy of 2004 in the Indian Ocean. His transformational leadership style can also be matched with paternalistic traits, he has been running his family company proudly showing his commitment towards people and employees and engaging in social and environmental projects. He always incited his employees to think big and never discouraged them from creating a larger picture; aiming to set up a creative and add value to the company. Leaders with an articulated vision are those who earn the biggest achievements, build new possibilities and pave the way for innovation and greatness.

Looking at Italian leadership styles, many Italian scholars provided different ideas and researches on leadership. Some researches stress strength and authority as common Italian leadership characteristics and underline the importance of personal qualities over technical skills (Rungtusanatham et al. 1998, pp.77-95). These elements can be found in traditional small and medium sized enterprises where authority also matches paternalistic traits. The smaller the enterprise is, the most paternalistic leadership style is generally performed.

Somehow, the recent economic and political crisis has been playing an important role in shifting ethics' role in leadership studies and the main leader characteristics, intensifying Italian cultural contradictions. Italy is not just a country but also a union of regional cultures resulting in the impossibility for a leader to find consistent followers. In the past some Italian business leaders, such as Eni founder Enrico Mattei, based their performances on a social leadership style addressed to social missions and responsibilities towards people, in favour of ethics' primacy in both economics and politics. At the beginning of the 1990s, that leadership style turned into a "Berlusconism" style, conceived as a leadership model in which business and political successful leaders are those based on the ideal of the strong and self-made man. Then, the worldwide economic crisis has changed this vision. Many Italian values and norms are being rethinking, from the return to Christian values to a new approach centred on consumer culture, in accordance with market needs. The former Italian Prime Minister Mario Monti represents another shift in leadership style, performing

a less show-centric style, also known as “low profile” style, more in line with the actual financial crisis.

As already seen, different leadership styles can be observed through time. It is possible to notice how leadership styles adapted to different economic and political periods Italy went through – from the 1990s to the financial crisis. With the new era of Internet and globalisation, Italy is still experiencing new changes in cultural organisation, shifting values and social norms. Changes brought Italy in the middle of an ideological conflict of psycho-political disaggregation and re-aggregation with repercussions even in leadership style (Benevene & Cortini 2010, pp.123-130). Nowadays most famous Italian leaders rely on impression management to exercise hegemony over the group and to exploit a popular consensus around them using mass media. Mass media power is increasing and Internet is changing the way in which a leader’s image is created and perceived.

The differences between Indian and Italian leadership styles are huge, excepted for the small medium sized enterprise, and rely on different circumstances. Indian leaders are looking for new enthusiastic ideas to implement whilst Italians are being carried away by economic and political shifts.

Only now, through the World Economic Forum, held from 21<sup>st</sup> to the 24<sup>th</sup> of January 2015 in Switzerland, Italy is approaching and promoting the "transformational leadership" as topic discussion. Italian Prime Minister Matteo Renzi illustrated this figure stating that foreigners conceive Italy only in relation to the past, not to innovation and growth, due to the Italian lack of credibility. That is why Renzi promoted a new type of leader who looks towards tomorrow instead of yesterday. For sure Italian leaders need something more reliable in order to act as transformational leaders, building a vision for the future, an innovative project or taking a risk cannot stand on present real premises. Having developed a limited knowledge of Italian cultural characteristics through the previous chapters, the transformational leader, beyond being an unrealistic vision, does not even match the average characteristics of Italian managers.

#### **4.7 Findings**

To sum up, the chapter gave an insight into diversity and its unexpected or negative consequences, which can occur when diversity policies are untrue ideals or corruption's outcomes. It went on stating challenges and problems of turning a company's domestic staff into a multicultural team. There is no perfect way to solve a multicultural problem; after having identified a problem, who leads the team should assess the circumstances and look for alternatives or additional resources that might make him/her find an appropriate response. Sometimes no change is needed because the team can successfully work with or around challenges thanks to its adaptation abilities.

One of the most spread miscommunication problem reported by Italian team members on behalf of their Indian peers, is the simple head gesture meant to say “yes” and acknowledged as “no” by Westerns. This tiny difference, which might be considered utterly irrelevant, can actually create irritation and annoyance after some time. Other circumstances request a structural intervention so as to remove interpersonal frictions or sources of conflict (Zander, Mockaitis & Butler 2012, p.600).

Managers have to keep in mind that often the best way to approach a team problem is questioning team members before taking final decisions because they just need to analyse the problem from an internal perspective rather than as an external judge. The chapter focused also on global leaders' characteristics; companies are trying to attract people from different cultural backgrounds, looking for the highest quality human resources, but sometimes they lack a good leader able to guide the new challenging team. When deep changes in a company occur, deep changes in the leader figure too are generally needed.

In conclusion, the best resource on which a company has to count on is its leader and his/her ability to create a productive and efficient workplace environment.

Recent researches show that people who best suit the global leader position are those with a bicultural background (Tadmor, Galinsky & Grosjean 2012, para.1). Bicultural people, being grown in two different cultures, are aware of cultural differences, are used to be

intermediary between cultures and are also characterised by greater creativity and professional success (Grosjean 2013, para.1). Their abilities are explained thanks to a psychological mechanism: a better capacity to acknowledge competing perspectives on the same issue and to combine to multiple res



## **Chapter V**

### **Ethics away from home**

Doing business away from home, in a foreign country or with a stranger culture, demands international managers to take a stance on ethical issues. Being abroad, as already seen during the negotiation process, involves a choice between adapting to the host country, in terms of values and behaviours, or keeping one's own behavioural standard. The main problem managers can face concerns drawing a line between what is just different and what is different because wrong; in case of small and medium enterprises, managers' decisions do not affect a significant number of people, but when subjects are multinationals issues of social responsibility and ethical behaviour also concern economic development in host countries and ecological protection around the world. Managers tend to be pretty sensitive to these issues due to public pressure and media coverage.

The main objectives of Chapter V are the development of a rich understanding of ethical issues in the international context and the ability to apply a range of frameworks for making ethical judgements. Through some examples, the chapter will tackle two important debatable issues: corruption and corporate social responsibility. At the end, it will consider responses to some common ethical challenges in international business reflecting on the main questions that drive the all chapter: since multinationals act in order to make money, are they legitimately supposed to care about ethics? As long as they operate within the law, why people expect multinationals to be also involved in extra projects that do not concern business? These questions relate to the innovative and transforming role of multinationals, always more frequently involved in charity projects with NGOs. Practical examples of important multinationals will clarify the questions.

## **5.1 Defining business ethics and its complexity**

Ethics, ‘the codes of moral principles, values and rules that govern our decisions and actions with respect of what is right and wrong, good and bad’ (Buchanan & Huczynski 2010, p.52), reveals its complexity when analysed in the global context, with multiple stakeholders and legislative frameworks. Cultures differently shape ethics around the globe; also influencing the decision-making process: who takes responsibilities and faces possible issues (if individuals or governments) and what decisions are made, depending on the economic development level (rule of law and the ability to enforce) and on moral exclusion (out-group might be considered less ethical than in-group).

International Business Ethics refers to multinationals' business conduct and moral in their relationships with other countries. Each multinational is distinguished by its cultural value system and its accepted way of doing business globally. Since globalization has multiplied ethical problems, different approaches can be observed among multinationals of different countries and even among those of the same nationality. For a multinational it is difficult to reconcile its national standards of acceptable behaviours and values with each country it is doing business with. The main reason is that each company learns ethics and concepts related to rights and wrongs in the context of its own national culture and main religions. The only moral principles universally accepted and listed “might” be those of the 1948 United Nations' Universal Declaration of Human Rights. The rights expressed through the declaration cannot be completely considered “universal” because they represent, especially, the proclamation of western values, not always shared by non-western people. The 1993 Bangkok Declaration and the 2000 Cairo Declaration on Human Rights in Islam, even if reaffirming human rights, stated which elements are closer to Islamic and Asian values and collectively shared.

Three are the main classical ethical positions, which value: intentions (Aristotle 4<sup>th</sup> century B.C.), consequences (Bentham 1789 & Mills 1863) or preventive actions (Kant 1785). Without lingering on the positions, more interesting for managers are ethical perspectives: cultural relativism and ethical imperialism, which might be helpful in spreading light on

ethical decisions (Donaldson 1996, p.48). These theories refer to the approach a manager decides to adopt while doing business in another country; he/she might opt for regional variation, relativism, or global consensus, imperialism.

According to cultural relativism, it is impossible to define universal rights and wrongs, as well as a standard cultural ethics, for these reasons a manager should adopt the host country moral code every time he/she is abroad. Relativism suggests that, if Indians tolerate bribery, their behaviour does not entail big considerations on their ethical or unethical position; they might be used to it whilst people from Norway tend to refuse bribes. The perspective is simplified into the already known “When in Rome do as Romans do”. Relativism's inadequacies become clear when, instead of a small bribery, human rights are seriously compromised. A multinational that opens a business activity in India, for example, relying on cultural relativism, should pay its employees according to Indian “Minimum Wages Act 1948”. This governmental Act, now under redefinition with Modi Government, states minimum daily wages that must be paid to unskilled and highly skilled positions. Taking the example of the state of Maharashtra, the daily wage varies from a minimum of rupees 103 to a maximum of 478 (from about euro 1,50 to 6,80). It looks like multinational pay 40% higher than local companies (Hijzen & Swaim 2008, para.8); following the example I reported, Maharashtra employees might get from euro 2,10 to 9,52 from a multinational. A company, which fosters this theory, should not have any ethical problem with paying its Indian employees about euro 30-per month. The Italian company Benetton, within other countless multinationals, pay around euro 360 per year every Bangladeshi worker (Quarantelli 2013, para.5), it means that with this salary Benetton can have 25 workers in Bangladesh instead of only one in Italy. For this reason cultural relativism is considered morally blind (Donaldson 1996, p.49).

On the other hand, ethical imperialism suggests managers to keep behaviours they are used to in every host country. This perspective stands on the affirmation of one single list of truths that calls for the same behaviour around the world (Donaldson 1996, p.50). Known as 'global corporate culture', it is an integration of interconnections among multinationals, securities markets and communication networks. This approach has, in practice, significant

limits as well. An example of bad application of ethical imperialism is Google entry in Chinese market. Google, meant to foster its main principles of freedom of expression and accessibility of information, failed to export its core values and ceded to Chinese governmental censorship in order to ensure its presence in the market. Google's expectation of applying its work culture in a country with a different set of values and communication networks represents ethical imperialism's weak points.

Since both theories have significant limits, Donaldson (1996, p.52) suggested to find the answer "somewhere in between". The answer should boost core values, shared by both Western and Eastern cultures and religions, such as the respect of people's basic rights and values as human beings, and the principle of good citizenship. The main principles' sources are:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration of Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

Having established one's own code of conduct, companies are encouraged to measure their outcomes through standards and guidelines set by the Global Reporting Initiatives (GRI) to promote transparency and accountability. Transparency is the most reliable factor in each company core values and a potential source of inspiration of other companies. GRI focal point in India was established in 2010 and, especially through the conferences held on June 2014 in Mumbai, has been able to release a declaration on "Sustainability Reporting for Sustainable Development". It promotes a series of goals in advancing sustainability and fighting challenges such as poverty, environmental deterioration and corruption. Each company should adapt and deepen these main values into its own code of conduct and report its activities through communication on progress.

## 5.2 Bribery and corruption

**Figure 5.1** The perceived levels of public sector corruption around the world.

RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE
			24	Bahamas	71			
1	Denmark	92	25	United Arab Emirates	70	47	Costa Rica	54
2	New Zealand	91	26	Estonia	69	47	Hungary	54
3	Finland	89	26	France	69	47	Mauritius	54
4	Sweden	87	26	Qatar	69	50	Georgia	52
5	Norway	86	26	Qatar	69	50	Malaysia	52
5	Switzerland	86	29	Saint Vincent and the Grenadines	67	50	Samoa	52
7	Singapore	84	30	Bhutan	65	53	Czech Republic	51
8	Netherlands	83	31	Botswana	63	54	Slovakia	50
9	Luxembourg	82	31	Cyprus	63	55	Bahrain	49
10	Canada	81	31	Portugal	63	55	Jordan	49
11	Australia	80	31	Puerto Rico	63	55	Lesotho	49
12	Germany	79	35	Poland	61	55	Namibia	49
12	Iceland	79	35	Taiwan	61	55	Rwanda	49
14	United Kingdom	78	37	Israel	60	55	Saudi Arabia	49
15	Belgium	76	37	Spain	60	61	Croatia	48
15	Japan	76	39	Dominica	58	61	Ghana	48
17	Barbados	74	39	Lithuania	58	63	Cuba	46
17	Hong Kong	74	39	Slovenia	58	64	Oman	45
17	Ireland	74	42	Cape Verde	57	64	The FYR of Macedonia	45
17	United States	74	43	Korea (South)	55	64	Turkey	45
21	Chile	73	43	Latvia	55	67	Kuwait	44
21	Uruguay	73	43	Malta	55	67	South Africa	44
23	Austria	72	43	Seychelles	55			
						69	Brazil	43
						69	Bulgaria	43
						69	Greece	43
						69	Italy	43
						69	Romania	43
						69	Senegal	43
						69	Swaziland	43
						76	Montenegro	42
						76	Sao Tome and Principe	42
						78	Serbia	41
						79	Tunisia	40
						80	Benin	39
						80	Bosnia and Herzegovina	39
						80	El Salvador	39
						80	Mongolia	39
						80	Morocco	39
						85	Burkina Faso	38
						85	India	38
						85	Jamaica	38
						85	Peru	38
						85	Philippines	38
						85	Sri Lanka	38
						85	Thailand	38

Source: Selected data from the TI corruption perceptions index, 2014, [www.transparency.org](http://www.transparency.org).

Figure 5.1 shows the perceived level of corruption in 85, out of 175, countries, on a scale from 0, highly corrupted, to 100, very clean. Countries have been ranked by Transparency Organisation, an independent global movement whose vision is a world with governments, business, civil societies and people's daily lives free of corruption. The report analysed cases of corruption caused by bribery, abuse of power and unethical dealings. Specifically, Italy and India score 43 and 38. Their scores are both under 50, which means a significant corruption level, particularly high in India.

**Figure 5.2** Italy and India ranking list

RANK	COUNTRY	2014 SCORE	2013 SCORE	2012 SCORE
69	Italy	43	43	42
85	India	38	36	36

Source: Selected data from the TI corruption perceptions index, 2014, [www.transparency.org](http://www.transparency.org)

Italy's level of perceived corruption is very far from its European neighbours, almost all ranked in the first 25 positions. Denmark is at the top as the cleanest country whilst Italy, embarrassingly, places itself at the bottom of the ranking. Transparency International Italy is trying to fight corruption in the private sector offering economic support for companies

that wish to keep an eye on their internal corruption. Joining the organization, companies can prevent corruption through auto analysis tools, such as “checklist for self audit” or “business ethical principles”, which aim to valuate transparency. The research 'Transparency in Reporting on Anti-Corruption' (TRAC), carried out in 2013, studied the 15 most important Italian companies for market capitalization, chosen from Forbes global leading companies' ranking. From 0 to 10, TRAC established which companies privilege transparency at the highest levels, measuring their anticorruption program. Programs are intended as a preventive measure to show interlocutors the company's engagement against corruption, company's transparency in order to guarantee contracts and financial flows' traceability, and lastly all company's activities abroad, as to get to know all money transfers among companies and governments. ENI, the Italian multinational oil and gas company, has been premiered as the most transparent company in 2013. The research must be analysed in depth because transparency and honesty declarations on one hand do not mean effective practice and good ethical behaviour on the other hand. Moreover, TRAC did not check any information' truthfulness, trusting all companies' declarations.

Emblematic example of TRAC's inadequacy is ENI's score, first company in the ranking but whose corruption reputation is widespread; charged several times with international corruption and bribes' payments. Italy's Court of Auditors estimated that corruption costs €60 billion each year; moreover Italy lacks an independent and dedicated anti-corruption authority and an anti-corruption legal framework. That is why Transparency Organization recommended Italy to establish an anti-corruption authority adequately equipped with human and financial resources.

**Figure 5.3** Corruption level in the 15 top Italian companies



Source: TRAC 2013 Italia (p.2)

According to Italian annex to EU Anti-corruption Report, 97% of Italian respondents believe that corruption is widespread while 42% says that they are personally affected by corruption in their daily life. Concerning Italian companies' experiences with corruption, 92% of the respondents believe that favouritism and corruption hamper business competition in Italy while 90% say that bribery and the use of connections is often the easiest way to obtain certain public services and 64% that the only way to succeed in



business is to have political connections. What allows the corruption mechanism to keep on working in Italy are institutional and judicial elements, such as the almost nil probability to be involved in a legal proceeding and in conviction (Vannini 2014, para.1). This legal framework and the convenient interpretation of corruption within the Italian executive class brought the competitive advantage and the selection based principles on personal relationships overcoming the competitive based system. Italy would be free of many investments in controversial projects and power abuse. Citizens would be more aware of their rights since one of the most dramatic costs is the loss of rights in favour of purchasing power. Examples of effective ways to contrast corruption have been put in practice in some Asian and Northern European countries, from coercive actions to education and civil participation. Each country has to fight corruption in its own way, nor universal formulas exist neither genetic predisposition to corruption.

Looking at the Indian scenario, the corruption situation is even worse. Transparency Organization interviewed almost 7500 people in India, Pakistan, Nepal and Sri Lanka to get a view on people' perception on corruption in South Asia. The final report found that 39% of people paid a bribe in the last 12 months, with very high percentages in India (54%) and 62% felt that corruption in their country has increased in the past three years; in India three out of four people confirmed these data. In May 2011 India ratified a specific convention against corruption (UNCAC) to bind all state parties and to take punitive and preventive measures against corruption. Indian private sector does not have any legislation to check corruption; the existing Prevention of Corruption Act through section 8, 9 and 12 imply very limited actions to punish corruption by private parties.

According to Ernst & Young's survey "Bribery and corruption: ground reality in India", corruption is growing fast as the Indian economy does. The most affected sectors are infrastructure and real estate (85%), metals and mining (76%), aerospace and defence (64%), power and utilities (51%). Bribery and corruption represent a significant challenge for investors in India, MNCs must face the convergence of many government regulations, which have made investors cautious about their deals in such markets.

An Indian multinational company answered the EY's questionnaire saying that bribery is regarded as a norm rather than an evil. The survey listed five causes that are making bribery and corruption widespread, summing them up, it is possible to notice: weak law enforcement, numerous government "touch points", complicated taxes, reluctance to make an effort in getting permissions the right way and gaining an unfair advantage in business (EY Bribery and Corruption Survey in India 2013).

For these reasons, companies investing in India must take into account all risks. They must be alert through constant updating on current bribery risks in their specific sector and business partnership. Companies should clearly communicate with their counterpart and avoid ambiguity with preventive guidance on gifts, political and charitable donations, and demands for facilitation payments. Carrying out risk assessments, undertaking site visits, performing information searches in the public and local domain are important steps towards a business free of corruption.

Lastly, a journalist of one of the main Indian daily newspaper, The Hindu, launched a provocative reflection, "Is Italy a step ahead?" The object of the question was corruption; the author accused Italy not to be in an advantageous position compared to India, evoking all Italian political scandals and mafia involvement. "They are also thieves and double dealers. Given half a chance they'll take the very shirt off your back and the shoes off your feet and you won't even know how it happened. (...) Life is chaotic, no one obeys the rules, policemen can be paid to cancel fines, there is massive tax evasion, the mafia controls large swathes of territory, and the government counts for little and for the well-heeled." (Naravane 2011, para.2)

Among the critics related to the massive use of stereotypes in the article, some questions arise about differences between developing and developed countries' responses towards corruption. It is widespread that corruption particularly affects developing countries, as stated by former UN Secretary-General Kofi Annan:

“This evil phenomenon is found in all countries—big and small, rich and poor—but it is in the developing world that its effects are most destructive. Corruption hurts the poor disproportionately by diverting funds intended for development, undermining a Government’s ability to provide basic services, feeding inequality and injustice and discouraging foreign aid and investment. Corruption is a key element in economic underperformance and a major obstacle to poverty alleviation and development.” (Annan 2003, speech, iii)

Taking into consideration Italian response to corruption, the distinction between it and developing countries appears blurred. Italian corruption has never been hindered through efficacious legislative systems. That is why some long-term perspectives, meant to limit corruption, look beyond legislative interventions in favor of cultural answers. Corbellini (2014, para.2) pointed out the importance of teaching individual moral and cognitive psychology in school. Through school and family dynamisms it is possible to foster virtuous reflections; for that purpose Italy and India should invest in research and education, probably more than implementing laws so far more corrupted than the issue they aim to fight.

### **5.3 Corporate social responsibility (CSR)**

Since the 1970s, expectations of multinational behaviour have grown in accordance with the boom in foreign investment. This change in expectations, however, has not been followed by clear directions from governments about developing codes of conduct. Corporate social responsibility stands for the expectation that multinationals engage themselves with social and economic effects of their decisions, especially in developing countries. The European Commission's definition of corporate social responsibility is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities 2002). In other words, the concept explores the role of multinationals in today's society and to what extent business has any responsibility for social and environmental problems worsened by multinationals. Some responsibilities multinationals might have concern:

- Equal opportunities and employment and advancement of minorities
- Personnel, employee health & safety, training, personal counselling, communication
- Community involvement, charitable donations, support for education or the arts, community involvement
- Products safety, quality, sustainability
- Suppliers subcontractor code, fair terms of trade

Corporate social responsibility, if well implemented, has advantageous long-term benefits, such as attractiveness, loyalty of the stakeholders and goodwill. Multinationals should be motivated, beyond these benefits, by the results they might achieve, which could positively change their employees' lives or environment. Almost all companies promote their engagement in specific issues, generally developing a “vision” they work for. Bisleri, for example, the Indian bottle water company, is promoting a mission to ensure access to safe drinking water and to keep the environment safe and healthy. The company promoted several initiatives such as - PET Recycling, Rain Water Harvesting and Ozone treatments,

and organised several awareness programs to involve as many people as possible in making the planet a healthier place.

Nevertheless, many critics have amplified the debate around corporate social responsibility; in the view of Friedman (1970, pp.312-313) the role of people who run business activities is combining resources to produce products and services to make a profit. These people are not expected to solve social and environmental problems, which are meant to be resolved by governments since managers are not experts and would probably provide only inefficacious responses. It might be observed that it is true that multinationals are not expected to resolve this kind of problems but, on the other hand, they are not expected to worsen them with their actions, as well as every other citizen's action.

A multinational that is often at the centre of many protests is Coca-Cola. The American company has been trying to expand its productive centre in India but faced several problems, the main one was the expansion of a bottling plant, based in Mehdiganj, near Varanasi. Even though the project seemed mutually beneficial to locals and the brand, Coca-Cola was soon hit with protesters. The new plant required too many water supplies, including drilling into groundwater reserves. The protesters called this an "over-exploitation of ground water". Many locals did not tolerate the environmental dangers and the protests have been going on for almost a year. Coca-Cola decided then not to pursue the expansion at Varanasi. The India Resource Centre, a small NGO that led the protests, pointed out, "We are delighted that the (Union) government is doing what it is supposed to do — protect the common property resource of groundwater from rampant exploitation, particularly in water-stressed areas. This should serve as a notice to other companies that they cannot run roughshod over Indian rules and regulations and deny community rights over groundwater" (Mosendz 2014, para.5).

Coca-Cola India's website states that "The Coca-Cola Company has always placed high value on good citizenship. (...) Coca-Cola India provides extensive support for community programs across the country, with a focus on education, health and water conservation."

Concerning Indian water regulation, historically, access to and use of groundwater is a right of the landowner; there are no restrictions at all on who can pump groundwater, how much and for what. As result of the rapid expansion of groundwater use and the depleting supply, the government has tried since the 1970s to persuade states to adopt groundwater legislation (Karnani 2013, pp.18-19). Only a few states recently have adopted groundwater acts; Uttar Pradesh, the state where the case study I summed up took action, adopted in 2010 the UP Groundwater Conservation, Protection and Development (Management, Control and Regulation) Bill. Since the Coca-Cola issue ended only in 2014, UP needs new and efficacious groundwater legislation, able to cope with future problems like the Coca-Cola one.

#### **5.4 Making ethical decisions**

A manager, who operates abroad, especially for the first time, is often unsure about the right decision in terms of ethical or unethical issues, mostly due to unfamiliar circumstances. Since the complexity of ethics makes it difficult to negotiate international agreements with binding codes of conduct, manager can only rely on some tips. The simple questions that follow represent a test of ethical actions for managers leading a company abroad:

- Is the decision taken legal in both host and home countries?
- Will it work in the long run?
- Can it be talked about?

Answering these simple questions a manager immediately get to know to what extent his/her decision is ethical or unethical.

As a more in depth guideline, some steps are suggested so as to take the right decision. First of all, managers have to consult the laws of both Italy and India to get to know if any of them would be violated with his/her decision. Secondly, managers should refer to the International Codes of Conduct for Multinationals; the ten major principles, listed and accepted by the UN, the ILO and the OECD (United Nations Global Compact, para.1) are:

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
5. Businesses should uphold the effective abolition of child labor.

6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly techniques.
10. Businesses should work against corruption in all its terms, including extortion and bribery.

The third step concerns consulting the company's code of ethics; sets of ethical rules established by each company. The two main parts are: code content and roll-out. Code content focuses on minimum compliance rules and propagates corporate culture. Roll-out is the name given to the process for launching intercodes. Since a code of conduct is essentially a set of policies, each one needs to get implemented with local-law restrictions against unilaterally and restrictive terms/conditions of employment. If at this point, managers are still hesitating, the best solution is asking one's own superior and then using one's own moral code of ethics. In the end, the final answer only belongs to managers' own conscience.



## **5.5 Findings**

The chapter dealt with ethical complications when doing business around the world. The research principally showed how India and Italy cope with corruption and how multinationals are changing social and environmental dynamics. Since the theories suggested to help managers are inefficacious, the “grey zone” between being too ethical and not being ethical at all might be a compromise. The difference between the presence of a compromise and the absence of it is a virtuous behaviour inclined to promote international dialogue and to understand certain mechanisms. At the end of the day, it is always managers’ moral choices if adapting to the system or lining up against it. The following principles, adapted from “Giving voice to values”, are an action-oriented approach for developing skills, knowledge and commitment to implement values-based guidelines for managers.

- We want to behave in a way that is consistent with our values.
- We often act on our values in ethical dilemmas.
- It is easier to do this in some contexts than in others.
- We are more likely to do this if we have practiced how to respond.
- Our examples can empower others who share similar views, although we cannot assume that we know who these people are.
- Greater self-awareness helps us to play to our strengths & protect our weaknesses.
- Although we may not always succeed, voicing & acting on our values is worthwhile, and can lead to better decisions.

## CHAPTER VI

### **Application of the theory on a practical example:**

#### **Beltapharm and its business partnership with Strides**

In order to apply the theory studied in the previous chapters to a practical example, I interviewed an Italian pharmaceutical company, Beltapharm Spa, business partner of Strides Arcolab, an Indian company leader in the healthcare sector.

A qualitative methodology was adopted in order to research Beltapharm, its history, work culture and challenges faced during the partnership with Strides. In-depth interviews were performed with two members of the company: Angelo Caccamo, owner of 1,5% of company's quotas, and his son, Stefano, who already works in the company and will soon take his father's place. They were both able to answer my questions since they had several occasions to interact whether face to face, with Indians who work in their company, or with those working in Bangalore through computer-mediated communication. Angelo visited the headquarter few times so as to meet Strides' directors and to discuss the main collaboration aims and costs that would have occurred. Stefano participated to different international pharmaceutical fairs where he had the possibility to compare his experience with that of other European companies involved in business with Indians.

I tried to follow the main Hofstede's dimensions (Chapter I) in order to find confirmation or disapproval of his data, but during the interviews some elements mixed up because they are all linked to each other. I then explored some issues presented in other chapters, such as negotiation and stereotypes, and included various open-ended questions. Some comments enrich the interview in order to understand particular problems or differences faced by Beltapharm.

The interview does not aim to find absolute truth about the data I researched, it just tells the experience of two Italian entrepreneurs and their encounter/crash with the Indian business reality. In order to get closer to nowadays' reality, more data and, especially, interviews of

Indian companies doing business with Italians are needed. The idea that supported this interview is only a peek into what really happens into an office between Italian and Indian managers.

Beltapharm Spa is an Italian pharmaceutical company founded in 1982 by Angelo Caccamo and some business partners in the province of Milan. Between 2007 and 2008, due to financial problems and a lack of funds, the company sold a part of its quotas to an emerging Indian pharmaceutical group, whose President was familiar with one of Beltapharm shareholder. The decision, principally driven by the desire to help employees whose job was in jeopardy, represented the best option to Beltapharm. Strides Arcolab, the Indian company headquartered in Bangalore, bought the majority of quotas and, in only few years, got the opportunity to grow unrelentingly. Now it is a multinational and a colossus in the healthcare industry, thanks to its main business, that of injectables, with application in the oncological field.

Beltapharm and Strides' productions are slightly different; Beltapharm still produces its historical products: gel, cream, syrup and oral suspensions, which were not included in Stride's core business. Strides tried to revolutionize Beltapharm introducing its products but Beltapharm members were determined to keep their production without big changes since they spent several years specializing in that field. This 'crash' caused a delay of the collaboration's start but at the end, Strides ceded. Since 2007, however, Beltapharm history is entirely linked to Strides. The all core business, known as 'Agila Specialities Private Limited', was sold at the end of 2013 by Strides to Mylan Inc., an American pharmaceutical company, for more than one 1 billion dollars.

Starting from power distance, I asked the interviewees if their Indian colleagues behave more formally or informally compared to Italians and if power difference is perceived in the office, especially between boss and employees.

They confirmed Hofstede's results, related to Indian formality, stating that their formality is, sometimes, even embarrassing. "Indians never start talking before saying "Sir/Madam",

even after some months working together and they are always very grateful”. When Angelo or other partners have to agree with Indians on important issues they tend to personally meet with them because through email the communication is really tough. In every email there are plenty of formalities without getting to the point, “When I read one of their email I always get lost, they use thousands of times “please, thank you, Sir” and so on, which is not bad, but when I read an email I want to get the information fast, otherwise I would write a letter.” Concerning the relationship between Beltapharm boss and Stride boss, they never talk to each other; they use an intermediary who reports each other’s words, principally by email in a very extremely formal way. Every Indian has his/her role in the office and it is clearly defined, they do not tend to delegate because everyone is already too busy to care to somebody else’s work. The boss is conceived as a very prestigious figure and has big decisional power. Every time the boss says something, every employee pays attention with bowed head. Stefano pointed out that Indians never contradict the boss; Italians are more likely to do it, but always with all due respect.

According to Hofstede (2001, p.453) new technologies increase cultural differences between countries; email, being the most used communication method, lacks contextual cues, which could avoid many misunderstandings. The problems faced by Beltapharm through email communication are principally due to the different contexts Italian and Indian cultures are part of. As already explained, every communication between the two companies is a potential clash between high and low context cultures. This difference also affects the formality, even if Murphy & Levy (2006, p.92) suggest that in intercultural emails, each culture tends to be more polite and formal. Both Italian and Indian cultures are pretty formal but looking at Hofstede’s scores, India has one of the highest score in terms of power difference.

I asked Angelo if he changes his communication style when he has to communicate with Indians, but he always keeps the same style, a polite one but far from the Indian formality. So I asked him if Indians might consider him rude because of his less formal emails. He replied that he had no idea about the perception they have.

In this case, Holtbrugge et al. (2013, pp.101-105) suggest individuals to adapt their communication style to the cultural background of the receiver. A respondent of their research affirmed to use two different styles: less direct but more formal emails for Indians and the opposite for Americans, more direct but less formal emails for them. This approach shows respect for the receiver culture and a cultural intelligent contact.

Concerning the individualistic/collectivistic analysis, I was interested in getting to know how Indians relate to each other in team, if they easily collaborate or if they value individualistic work over the group.

The interviewees argued that Italian teams difficulty work without problems with Indian teams because there are huge differences. Stefano stated “The ways of working are poles apart, Indians always need an exaggerate contribution; when the Italian team is made of five people, the Indian equivalent is composed of, at least, 10.” Everyone does only his/her small part and tries not to mess up with other people’s work; otherwise they settle a mechanism that delays the entire work. This contribution of more people, than the effective necessary ones, provokes a general misunderstanding and little organization within the team. “I receive hundreds of emails all asking the same thing from members of the same team. And when it is you who needs information it is always impossible to get a fast answer, they have to ask to someone, the “hypothetical” someone has to talk to someone else and so forth.”

According to him they lack organization and clear communication among team members. Trust, an important element in a team, is sometimes perceived as missing; they often omit details or none wants to take responsibilities. This does not mean that they do not work, “the actually work very hard, even 13/14 hours par day and send email at 4 am in the morning. It is just a different way of working, but sometimes it is really annoying”.

Concerning the lack of trust and organization, the problem might be researched in a bad team leader. The leader has to train team members so as to create an effective and collaborative team based on trust. Indians work better when they know their colleagues and can build a strong relationship based on trust. Indians need to feel comfortable with their leader because he/she represents the most trustworthy person, that is why when delegated

to, Indians often want their decisions approved by a colleague or senior person. According to McDermott (2014, para.1), individual pride plays an important role and competitiveness can arise between team members, as stated by Stefano.

The interview focused then on uncertainty avoidance. Stefano and Angelo seemed to confirm Hofstede's research about Indian approach towards ambiguity and risks but they stated a different point of view.

Angelo, questioned about Indian attitude towards uncertainty, confirmed that their way of behaving is different from Italians. According to him, the reason has to be found in law markets, not in different cultural inclinations that push Indians to behave in a certain way and Italians in another. "Fifty years ago Italy was experiencing a work dynamicity stronger and faster than now, Italians were keener in changing their job and in facing possible risks. Then, with the recent economy stagnation, Italians have been adapting to another living standard; they need solid pillars on which relying on, such as open-ended contracts and secure access to loans. Indians can easily face risks because they know that they will not face any difficulty in finding a new job in such an emerging market."

According to Work monitor Index, which measures employees' mobility and willingness to change job, India has the highest score compared to all countries. Especially young Indians seem to be keener to change their job; eighty percent of the Indians respondents stated that they always take a look to job opportunities. It must be said that India has a very young population; with median age of about 27, quite far from Italian median age, 45, according to 2014 World Fact book Index. These data partly explain Indian different attitude as more opened to risks and ambiguity.

Concerning pragmatism, I questioned the interviewees about how Indians cope with deadlines and punctuality, and if they use to work in a multi focus and synchronic way.

According to Stefano and Angelo's experiences, it is not true that Indians do not respect deadlines. Beltapharm and Stride's work is only articulated by deadlines, without

respecting them no collaboration would be possible. They observed that Indians are pretty relaxed towards deadlines because they realize how much work must be done only few days before the due date. For this reason they do complete their task but fast and approximately, working very hard like 12/14 hours par day. Concerning the multi tasking approach, they argued that Italians are more multi tasking than Indians, in contrast with Hofstede study. They use to be focus on only a small task and then they carry on with the following one; whilst Italians are keen to work on more tasks contemporary.

We had a small chat about stereotypes, I asked if they had some stereotypes or if they found Indians holding stereotypes over Italians and if this affected the workplace environment.

Stefano said that he personally did not have any stereotype about Indians. I pointed out that, from my research, it looks like people around the world think that Indians speak bad English and women who dress traditional clothes are backward. He replied saying that he saw some women dressed up in sari during pharmaceutical international exhibitions but this did not make any difference at all, he was there to talk about business and did not care about how a person was dressed. Concerning English, he stated that, at the beginning, he had few problems with Indian pronunciation of W, which is perceived as V, and other letters, but “it is easy to get used to it”. He observed, by the way, that Indians hold positive stereotypes when it comes to Italians. They think that their life standard could really improve in Italy and that Italians are pretty wealthy. He noticed that Indian employees who experienced the Italian workplace environment in Beltapharm for short periods did not want to go back home. They asked several times Angelo to hire them In Italy; he was surprised because people holding good jobs in India were keen on going down just for staying in Italy. For example, from an analyst position in India they would have been happy to be ordinary employees in Italy with even a lower salary. “They are enthusiastic about Italian way of working which requires employees to stay in the office eight hours par day, less heavy than 12/14 hours in India.”

We could not talk about corruption because, fortunately, they did not have to deal with it. They were aware of India’s reputation but this did not affect the collaboration. We had a

small chat about Indian women inside the company and they confirmed that their percentage in very low. Nevertheless, they have key roles and big responsibilities. Angelo added that they are more meticulous than men and put a lot of pressure, noticeable even in the way in which they write emails. Beltapharm has many women employees in key roles too, such as quality responsible, technic and laboratory responsible.

Concerning negotiation Stefano had only limited experiences through emails, so I could not ask many particulars that I analysed through the negotiation chapter; such as face-to-face communication and emotionalism. I could only get some information about time sensitivity and attitude.

Stefano had to negotiate several times products' price by email; he said that the all process always requests such a long time and it is very frustrating. When it comes to agree on a certain price, Indians ask detailed proofs and evidence before saying yes or no. He explained me that during the last negotiation he witnessed, Strides wanted to fix a very high price on a product that was completely out of the market. Stefano, after explaining all the problems that could have occurred; such as financial controls and fiscal penalisation, he also had to provide proofs of the average price on the market, asking all suppliers to send him a receipt. What Stefano observed, excluding this small issue is that Indians always show their willingness to collaborate, what I called win-win attitude in Chapter III.

Even if, from my research, it looks like Indians tend to negotiate towards a win-lose outcome, in situation like this, where two companies have to collaborate in order to get a common result, the win-win attitude is the only way.

We ended up the interview talking about what positively and negatively impressed Stefano and Angelo in terms of cultural differences.

They were really impressed by Indian hospitality and their relationship with hosts. So I asked them if the difference between Italians, keener to get down to business and Indians, happy to spend time building relationship is perceived. Angelo stated "I guess they do love



enjoying the time with business partners even out of the office, they always took me out for dinner when I was in Bangalore, or invited me to their place, introducing me to their families. This always happens, even with people with whom I exchanged ten emails in a year. This kind of hospitality cannot be expected from us, but what I really think is that, under the first impression, they keep in mind who you are. They separate leisure from work and after dinner, everyone goes back to his role.”

Stefano shared his astonishment for the role the caste system plays in the office, “I noticed that certain employees treat others with sufficiency, without excluding them but keeping a certain separation. They pay less attention when others are about to say something, but, on the other hand, the mistreats never stop with formalities and polite manners.” Stefano asked several times the reason of this weird behaviour but he has never been explained in an exhaustive way. “They talk about castes, if asked, but in a very remissive way. They just told me that castes do exist and everyone has to adapt to its rules.”

The main cultural problem Stefano faced relates to the simple words “yes” and “no”, “You never know if they understand or not, because they always answer “Yes Sir”, but then you realize they did not understand what you meant. Or, sometimes, the other impression I had, is that they take advantage of potential misunderstandings pretending that they did not understand only because it is convenient to them.”

Each culture conceives a different meaning to “yes”, some cultures use affirmative answers only to confirm that they heard what has already been said and as a form of politeness. Indians say “no” with difficulty; they prefer using other ways, such as responding with a question, hesitating, postponing (“let me ask my team”) or agreeing at first and asking about it again later (Storti 2007, para.2). Stefano feels disorientated because Italian cultural meanings of yes and no are different and communicating in another cultural context can create frustration and miscommunication. Italians should slightly change the way of questioning Indians in order to not let them feel uncomfortable if they have to say “no”. For example, instead of saying “You can make it tomorrow at 5 pm, right?” they should address

to Indians this way, “The client asked if you can meet with him at his office at 5 pm tomorrow... will you be able to make it at that time?”

In conclusion, Stefano and Angelo told me that every European company they know, involved in business with Indians, is facing the same cultural problems. I was very surprised because I did not realize how much culture impacts a business activity until I had this small chat with them. Dealing with statistics, scores and tables, every issue is kind of impersonal; this interview gave me the chance to associate what I researched to a small reality, which has names and feelings instead of differences and similarities. It would have been very interesting to have another point of view, asking Indians the same questions about Italians. Hopefully there will be other chances to deepen and investigate the encounter of these complex cultures.

## Conclusions

The previous chapters and the interview highlighted some relevant cultural problems between Italians and Indians; having developed awareness of the complexity of the issue some solutions will be suggested. Each chapter has already listed a few responses to specific problems; here a few main responses, addressed to the issue in general, regardless of its specificities, will be proposed and analyzed in-depth.

The main problems turned out to be communication and a different set of values that drives behaviors and relationships. Since this research was principally addressed to international managers, the position already demands itself a certain predisposition in dealing with different cultures. Cultural intelligence (CQ) will demonstrate why its application would arise the feasibility of business relationships between Italy and India. After a brief explanation a case study of Deutsche Bank, which put in practice CQ's training, will be presented.

Cultural intelligence is “an outsider's seemingly natural ability to interpret someone's unfamiliar and ambiguous gestures the way that a person's compatriots would” (Earley & Mosakowski 2004, p.140). Sometimes managers show a natural ability to understand unfamiliar actions, words, reasoning methods, and even to mirror them, as they were locals or familiar with that particular foreign culture. In this scenario cultural intelligence represents the abilities and skills that distinguish a good international manager. Some innate characteristics are more likely to facilitate a person in his/her confrontation with other cultures, but anyone who is willing to improve his/her CQ level can try a particular kind of cultural training that must cover its three main elements: head, body and heart.

**1. Head** is the cognitive element, a type of memorization about beliefs, taboos and typical behaviors of other cultures. Memorization allows head to accumulate cultural knowledge and understanding of both specific cultures and culture in general. Knowledge, added to observations and experiences, creates a broad social perception helpful for underlying

cultural features. It creates a mental picture from different and conflicting experiences and incorporates new perspectives and understandings. Managers should develop certain skills in order to enhance the cognitive element; skills could cover knowledge of the language and main cultural, economic and political features of the culture they are doing business with. Knowledge of the language does not mean the expectation of developing mother tongue abilities, but an interest for a different language and a positive attitude towards it. A manager with a good cognitive CQ might introduce himself/herself in the counterpart language, or at least showing interest or asking for some translations. Every Indian would be gladly surprised to hear “Namaste” instead of “Good Morning”; same for Italians. Since Italians are more used to British and American English, Indian managers who speak in short, simple sentences and avoid using Indian slang would demonstrate a cultural intelligent approach. What characterizes a good cognitive CQ is also the knowledge of the most important cultural values, religious beliefs and arts and crafts. It might sound weird for a manager the necessity to get information regarding the main religions practiced in India or Italy, but information of this kind could avoid awkward situations and make managers not to expect or demand a meeting or a work done during an important Indian or Italian holiday. Knowledge of cultural values is more difficult to achieve because it is not only about reading information but it is about implementing them with personal experiences.

**2. Body** is the behavioral component; it shows behavioral skills, such as culturally appropriate behaviors, an international manager should possess. This CQ component implies consciousness of one's own behavior and influences; self-presentation awareness is an important part of body component. Behavioral flexibility is about adapting one's own behavior in order to suit different contexts. Some learning strategies can be applied in order to acquire culturally appropriate behaviors. Some elements that reflect a good behavioral CQ might be changes in verbal and non-verbal behavior. As an example of good body CQ, the image below shows the American President Obama and his wife waving before taking off after the recent presidential visit in India. They greeted placing their hands in front of the chest and bowing, as Indians do. This simple gesture shows respect and interest for a

different culture; a suggestion for managers is to increase their body CQ with simple behaviors like this one. They do not have to result in ridicules mirroring behaviors that do not belong to them. It is just about trying; an Italian cultural intelligent manager, for example, would try Indian food instead of refusing or asking for something else when invited out for dinner the first time by an Indian manager.



Source: Cnn

**3. Heart** is the last CQ component, also called motivational component. Motivational cultural intelligence is made of confidence, motivation and perseverance. A manager with a good motivational CQ believes in his/her own efficacy and has confidence in his/her ability to adapt and cope with different cultures. Among abilities, the capacity of socializing with locals is very important. Overcoming obstacles in challenging situations with resilience and persistence only occurs when someone is driven by a motivation or a personal interest that does not match great salaries or rewards, but a particular own goal. Such goal guides and motivates the manager; it makes him/her willing to interact, even after unpleasant

experiences. A good motivational CQ belongs to a manager who works with many cultures and adapts himself/herself to different circumstances because he/she is passionate about multicultural encounters.

A company willing to increase its employees' cultural intelligence should develop a specific training. Before the beginning of the relationships, a preventive plan should create awareness and real problems' expectation. Especially managers, who might go overseas in the counterpart's country, must be aware of possible difficulties. To make expatriates feel welcome and to help them settle in India, many companies arrange for cross-cultural trainings to help them approach Indian culture and cope with Indians. Preventive actions should be led by a competent staff, such as cultural mediators, psychologists and experts with a consistent knowledge of the counterpart culture, and should cover a learning process made of:

- Assessing staff's predisposition to relate with different cultures through specific tests.
- Getting to know each one's weak points and strengths concerning individual and teamwork.
- Collecting information, from different sources, both national and international.
- Providing language and cultural courses led by a professional staff.
- Inviting the employees to attend dialogues or conferences with expatriates, if already settled in the counterpart country, in order to share their experiences. Learning from who has already experienced a similar cross-cultural interaction allows getting practical information on real everyday life issues.

Once the business relationship starts, its outcomes have to be monitored through staff regular interviews and test assessments.

A practical response, focused on enhancing staff's CQ, is the training program developed in 2003 by the London Business School for Deutsche Bank. Since the German bank was experiencing more and more collaboration with Indians upon an outsourcing program, its employees needed to improve their relationships and work skills with Indian team members. The program consisted in a two and a half day seminars and simulated group works divided in some steps.

The first step aimed to combine cultural strategic thinking with specific content on India, for this reason after some generic brainstorming activities participants were invited to taste an Indian meal and follow a presentation on Indian business practices.

The second day employees were invited to comment their CQ levels after having taken a test. CQ tests generally ask people to use a scale from "strongly disagreement" to "strongly agreement" in relation to statements such as "I plan how I will relate to people from a different culture before meeting them" or "I can adapt to a different cultural lifestyle without any problem". This part was followed by cultural activities primarily based on teamwork.

The last day was left to Indian content; professors held conferences on Indian business strategies and key elements that define a good outsourcing partner (Earley, Ang & Tan 2006, pp.217-219).

This program did not focus very much on culture, communication and set of values. It coped with outsourcing and practical cases leaving aside the cultural element. It might be argued that the program lacks a try to create empathy between the participants and Indian culture. Many Indian companies, providers of customer service for overseas companies in the USA, instruct their staff on main everyday topics that could occur when talking with customers. The reason concerns the ability to create an affinity that leaves the customer satisfied and pleased by the conversation. Cultural problems, especially communication, and preparation on potential cultural differences should have been stressed. It would have been helpful planning the same cycle of conferences after the beginning of the collaboration and involving Indians too, so as to create confrontations and to develop bilateral responses on problems faced by both cultures.

In order to create more affinity some simple exercises could have been put in practice. For example, in 2014 during the first class of International Management at University of Technology Sydney, Professor Anthony Fee invited the participants to stand up and sit next to the most different person they could notice in the room. We were asked to write on a post-it what we thought about the stranger who was sitting next to us. After a couple of minutes we switched the post-it and shared our first impressions. What was written on the post-it made everyone laugh because it was very far from the truth. The aim of this simple game was showing how cultural and visual differences drive everyone's preconceived ideas about others. The following activities aimed to break stereotypes, getting to know different ideas on ethics and enhance communication skills. We have been engaged in negotiation tables and we tried to communicate by email with a peer of a different culture on a simulated negotiation so as to realize how difficult it is to find an agreement. These activities decreased step by step the difficulties of working in a team group made of four or five nationalities. International managers should have more possibilities to confront face to face with Indians or Italians during the training or, if not possible, to do role-playing exercises; the main achievements can be accomplished only through real daily problems and confrontations.

At the end of the training manager should test their CQ again, see what they mastered and what they need to strength more. They should consult with the boss and diagnose the outcomes; this way it is easier to redefine the priorities and set new effective strategies.

In conclusion entry plans focused on creating awareness and affinity, followed by periodic supervisions, could be the most efficacious solution. Plans must be studied in details and committed not only to economic experts but also cultural specialists whit significant experience in cross-cultural interactions. This research did not mean to suggest that Italians and Indians have to change their ways of behaving in order to do business. They both have to meet one another half way, smoothing counter-productive differences and highlighting their cultural intelligence mind-set.



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