

**Romanian Economic and Business Review – Vol. 3, No. 1****CULTURAL DIVERSITY IN THE EUROPEAN BUSINESS ENVIRONMENT  
EU-US COMPARISON**

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*"Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster."* (Geert Hofstede, Emeritus Professor, Maastricht University)

**Abstract**

*When interacting with people from different cultures, it is natural to interpret their actions through your own culture's standards. However, doing so can cause misunderstandings. If you employ or conduct business with people from other countries, you can avoid misunderstandings by recognizing cultural differences, such as communication styles, religious beliefs, power structures, and attitudes toward time and work. Your relationships with people from other cultures are enhanced when you are aware of cultural differences.*

**Keywords**

*Cultural diversity, international business, European business environment,*

For those who work in international business, it is sometimes amazing how different people in other cultures behave. We tend to have a human instinct that 'deep inside' all people are the same - but they are not. Therefore, if we go into another country and make decisions based on how we operate in our own home country - the chances are we'll make some very bad decisions.

One example of cultural differences in business is between the Middle Eastern countries and the Western countries, especially the United States.

When negotiating in Western countries, the objective is to work toward a target of mutual understanding and agreement and 'shake-hands' when that agreement is reached - a cultural signal of the end of negotiations and the start of 'working together'.

In Middle Eastern countries much negotiation takes place leading into the 'agreement', signified by shaking hands. However, the deal is not complete in the

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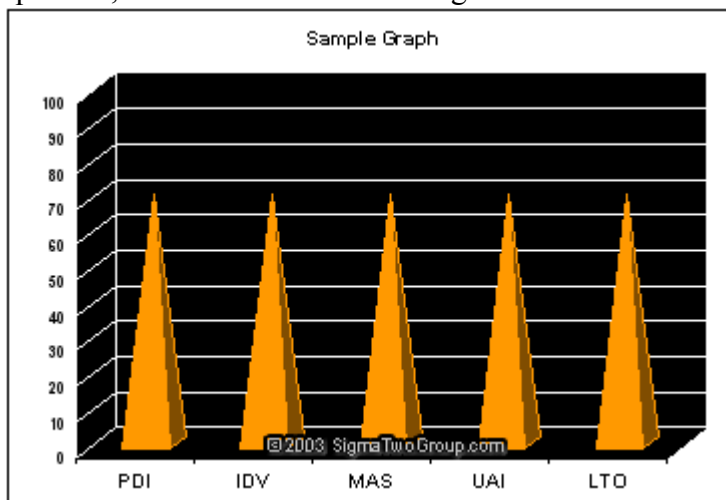
Middle Eastern culture. In fact, it is a cultural sign that 'serious' negotiations are just beginning.

Imagine the problems this creates when each party in a negotiation is operating under diametrically opposed 'rules and conventions.'

This is just one example why it is critical to understand other cultures you may be doing business with - whether on a vacation in a foreign country, or negotiating a multi-million dollar deal for your company.

## 1. Five Important Cultural Dimensions

One approach to cultural differences was devised by Dr. Geert Hofstede, a Dutch researcher who compiled a research database on comparative cultural work preferences during his work with IBM. In his book, *Culture's Consequences*, he identified the following five cultural dimensions



\* Description for each of Hofstede's Dimensions

**Power Distance Index (PDI)** that is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others'.

**Table 1: Differences between participative and hierarchical cultures**

<b>Participative Style</b>	<b>Hierarchical Style</b>
Consultative approach	"Top-down" approach
Informality	Formality
All should have equal rights	Power holders are entitled to privileges
Pragmatic organizations centered on task	Pyramidal structure
Independence, initiative	Dependency, obedience
Latent harmony between the powerful and powerless accepted	Latent conflict between the powerful and powerless accepted

There are a wide range of scores for Power Distance obtained for the European Union and North American countries; Denmark is the most participative country with a score of 18, while France is the most hierarchical country with a score of 68. In this case, the USA and Canada fall in the middle of the range with scores of 39 and 40 respectively. These differences translate in corporations in several areas, such as:

- **Corporate Structure:** Hierarchical countries tend to favor top down organizations with more layers of management, while participative countries tend to use matrix structures with cross-functional collaboration and fewer layers of management.

- **Work environment:** In hierarchical countries, work does not get done unless channels are used; managers tend to delegate tasks with clearly defined instructions. In participative countries, getting the work done is more important than using the proper channels, and managers tend to delegate responsibilities with limited instructions; employees are expected to take initiative, report on progress and suggest approaches to problem solving.

- **Decision-making:** In hierarchical countries, managers make decisions that are appropriate to his / her level of authority, with limited consultation of subordinates. In participative countries, managers consult those involved and expect them to participate in the decision-making.

**Individualism (IDV)** on the one side versus its opposite, collectivism, that is the degree to which individuals are inte-grated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in

exchange for unquestioning loyalty. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world.

**Table nr. 2 Differences between individualist-oriented and group-oriented cultures**

<b>Group Style</b>	<b>Individual Style</b>
"We" Consciousness	"I" Consciousness
Relatives, in-group take care of individual in exchange for loyalty	Individual takes care of self and immediate family
Interests of the group prevail over individual ones	Self interests come before those of the group
Emotional dependence of individuals on organization	Personal life and professional life are separated
Cooperation and harmony	Competition between individuals
Loyalty prevails over efficiency	Efficiency prevails over loyalty

There are a wide range of scores for Individualism among the European Union and North American countries; the USA is the most individualistic country with a score of 91, while Portugal is the most group-oriented country with a score of 27. These differences translate in corporations in several areas, such as:

- **Compensation:** Pay, bonuses, and raises are based on individual performance in individualistic countries, while they are based on group results in group-oriented countries.
- **Work structure:** In individualistic countries, there is little socializing outside of work, and team members often work in relative isolation from one another. In group-oriented countries, people gravitate spontaneously towards teamwork and much socializing takes place, both at work and outside.
- **Decision making:** In individualistic countries, managers may not tell the group before making a decision, and decisions are made for the good of the individual, even if they do not benefit the group. In group-oriented countries, managers and groups participate in making decisions, and decisions are based on the good of the group rather than the good of the individual.

**Masculinity (MAS)** versus its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values.

This dimension measures the degree to which cultures value tasks and work or relationships and quality of life.

**Table 3: Differences between relationship-oriented and task-oriented cultures**

<b>Relationship-oriented Style</b>	<b>Task-oriented Style</b>
Quality of life has priority over goal achievement	Goal achievement has priority over quality of life
Modesty, solidarity, and helping others are virtues	Assertiveness, competitiveness and ambition are virtues
Small and slow are beautiful	Big and fast are beautiful
Sympathy for the underdog	Admiration for the strong
Sex roles overlap, with men taking caring roles. Strong ambition is unusual among men as well as women. Women are accepted at work without having to dress and behave like men.	At home, biological differences mean different roles for the sexes. Men are expected to achieve, women to care. In some cultures, women are accepted at work if they imitate masculine roles.

There are a wide range of scores for Achievement obtained for the European Union and North American countries; Sweden is the most relationship-oriented country with a score of 5, while Italy is the most task-oriented country with a score of 70. Note the difference between the scores of the USA (62) and Canada (52) in this dimension: Canada is more relationship-oriented than the USA and has implemented several social programs (including health insurance) that are not available in the USA. These differences translate in corporations in several areas, such as:

- **Policies:** In relationship-oriented countries, corporations tend to offer strong employee assistance programs, with policies that help employees balance family and work (for example, flexible time arrangements and maternity / paternity leaves are commonly used). In task-oriented countries, corporations tend to offer little employee assistance and family issues are rarely considered.

- **Work and family:** In task-oriented countries, work is expected to take precedence over family life. Long hours are expected, as well as travel and weekend work. In relationship-oriented countries, family is taken into consideration and is often included in work activities (families attend corporate events like company picnics, etc.).

**Uncertainty Avoidance Index (UAI)** deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth; 'there can only be one Truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions.

**Table 3: Differences between risk-oriented and structure-oriented cultures**

<b>Risk-oriented Style</b>	<b>Structure-oriented Style</b>
Flexibility is emphasized: rules should fit situations and may be broken	Rules and procedures are specified and should not be broken
Pragmatism, practical principles	Philosophical, normative rules
Risk-taking	Conservative
Relatively tolerant vis-à-vis different or marginal people	Relatively intolerant vis-à-vis different or marginal people

There are a wide range of scores for Certainty obtained for the European Union and North American countries; Denmark is the most risk-oriented country with a score of 23, while Greece is the most structure-oriented country with a score of 112. In this case, the USA and Canada fall in the middle of the range

with scores of 46 and 48 respectively. These differences translate in corporations in several areas, such as:

- **Rules and regulations:** Structure-oriented countries tend to have many policies and procedures and managers expect these rules to be followed in all situations; they seldom encourage risk-taking and tend to have little tolerance for mistakes. Risk-oriented countries tend to have fewer rules and regulations and accept that these rules may be broken to satisfy a customer; taking risks is encouraged, even when it does not succeed, because it yields new learnings.

**Long-Term Orientation (LTO)** versus short-term orientation: this fifth dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars. It can be said to deal with Virtue regardless of Truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. Both the positively and the negatively rated values of this dimension are found in the teachings of Confucius, the most influential Chinese philosopher who lived around 500 B.C.; however, the dimension also applies to countries without a Confucian heritage.

*Iron Rule # 1:*

*- In International Business the Seller Is Expected to Adapt to the Buyer.*

*The buyer in an international transaction is in the fortunate position of being able to largely ignore cultural differences. (Unless of course he or she wants to negotiate the best deal possible!)*

*What if you are not involved in exports. Suppose you are traveling abroad to negotiate a joint-venture agreement, an acquisition or a perhaps a strategic alliance? Now who is expected to do the adapting? That is where Iron Rule # 2 comes into play:*

*- In International Business the Visitor Is Expected to Observe Local Customs.*

*Is this just another way of saying, "When in Rome, do as the Romans do?" No. Actually, Gesteland disagrees with that old saw. His advice is not to mimic or copy local behavior. Instead, he advises just to be yourself. But of course 'being yourself' should include being aware of local sensitivities and generally honoring local customs, habits and traditions.*



## **2. Richard Gesteland's Theory – a different approach yet the same outcome**

Coming back to Geert Hofstede's Theory on cultural differences and the way to understand other cultures, Richard Gesteland, a globalization consultant and seminar leader providing international clients with *practical* training in Communicating, Negotiating and Selling Across Cultures, offers a hands-on approach to studying and understanding corporate ethics and behavior in different and challenging environments.

His main ideas and iron rules in dealing with multicultural business environments are: "the seller adapts to the buyer" and "in International Business the Visitor Is Expected to Observe Local Customs".

### **Patterns of Cross-Cultural Business Behavior**

What Gesteland calls Patterns of Cross-Cultural Business Behavior, Geert Hofstede called the Five Important Cultural Dimensions.

In Gesteland's Theory, cultures are different concerning their perception of time, their priority relevance, their way of communicating and the way they relate to formalities. Having said that, the patterns of cross-cultural Business Behavior is essential for any business person wanting to be successful in any international environment.

### **Deal-Focus vs Relationship-Focus**

This is the 'Great Divide' between business cultures. Deal-focused (DF) people are fundamentally task-oriented while relationship-focused folks are more people-oriented. Conflicts arise when deal-focused export marketers try to do business with prospects from relationship-focused markets. Many RF people find DF types pushy, aggressive and offensively blunt. In return DF types often consider their RF counterparts dilatory, vague and inscrutable.



## **Informal vs Formal Cultures**

*DEAL-FOCUSED CULTURES: Nordic and Germanic Europe, Great Britain, North America, Australia and New Zealand, South Africa*

*MODERATELY DEAL FOCUSED: Latin Europe, Eastern Europe, The Mediterranean Region, Hong Kong, Singapore*

*RELATIONSHIP FOCUSED: The Arab World Most of Africa, Latin America, Most of Asia*

*VERY INFORMAL CULTURES Australia, USA*

*MODERATELY INFORMAL Canada, New Zealand, Denmark, Norway*

*MORE FORMAL CULTURES Most of Europe, Mediterranean Region, Arab World, Latin America, Most of Asia*

*VERY MONOCHRONIC BUSINESS CULTURES Nordic and Germanic Europe, North America, Japan*

*MODERATELY MONOCHRONIC Australia/New Zealand, Eastern Europe, Southern Europe, Singapore, Hong Kong, Taiwan, China, South Korea*

*POLYCHRONIC BUSINESS CULTURES The Arab World, Africa, Latin America, South and Southeast Asia,*

*VERY EXPRESSIVE CULTURES The Mediterranean Region Latin Europe Latin America*

*MODERATELY EXPRESSIVE USA and Canada, Australia and New Zealand, Eastern Europe, South Asia*

*RESERVED CULTURES East and Southeast Asia, Nordic and Germanic Europe*

Problems occur when informal business travelers from relatively egalitarian cultures cross paths with more formal counterparts from hierarchical societies. Breezy informality offends high-status people from hierarchical cultures just as the status-consciousness of formal people may offend the egalitarian sensibilities of informal folks.

## **Rigid- Time vs Fluid- Time Cultures**

One group of the world's societies worships the clock and venerates their Filofaxes. The other group is more relaxed about time and scheduling, focusing instead on the people around them.

Conflict arises because some rigid-time visitors regard their fluid-time brothers and sisters as lazy, undisciplined and rude while the latter often regard the former as arrogant martinetts enslaved by arbitrary deadlines.

## **Expressive vs Reserved Cultures**

Expressive people communicate in radically different ways from their more reserved counterparts. This is true whether they are communicating verbally, paraverbally or nonverbally. The confusion that results from these

differences repeatedly spoils our best efforts to market, sell, source, negotiate or manage people across cultures.

Why? Because of course business communication is simply a specialized form of communicating. And the expressive/reserved split creates a communication gap that can be difficult to close.

### **Time in Europe: The North/South Divide**

For international business people the problem is that contrasting conceptions of time and scheduling cause conflicts. Let's look first at Europe, where the meaning of punctuality for instance varies according to whether you are in the northern or southern part of the Continent.

Suppose you are an export marketer scheduled to meet your Hamburg customer at 9 am tomorrow. Knowing how important Pünktlichkeit is to Germans, what time should you arrive at his office in order to be considered punctual? Veterans of the German market agree that 8:55 am would be just about right.

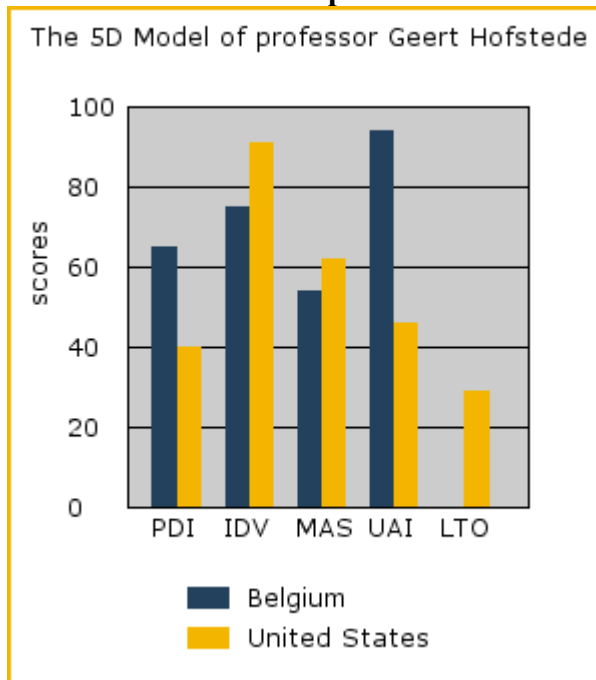
Getting there at nine on the dot would of course be technically acceptable, but arriving five minutes ahead of time shows that you share your customer's obsession with being on time. But the worst thing would be to show up late. Tardiness signals lack of discipline. Some Germans feel if you are ten minutes late for a meeting you may well be ten weeks late with your delivery. Pünktlichkeit and Zuverlässigkeit (reliability) are closely related concepts in this most monochronic of cultures. Let's say your next sales meeting is in Munich. The laid-back Bavarians are more relaxed about time, so you could arrive right on time -possibly even two minutes late - without destroying your chances for a sale. And you can still be confident that your local counterpart will be punctual.

### **Where the Clock Slows Down**

But when you hop across the Alps for your meeting in Milan, the rules change. There your customer or contact may well show up ten minutes or so late without feeling obliged to apologize. And as you travel south down the boot of Italy you find that schedules become even more fluid. In sunny Rome your local counterpart is likely to waltz in half an hour after the agreed time and greet you as though nothing at all is wrong.

This European example with its soupcon of exaggeration is meant to contrast the clock-worshipping, schedule-obsessed, rigid-time business cultures found mostly in temperate latitudes with the more relaxed, fluid-time cultures located primarily in hotter climes. For whatever reason, the closer you get to the equator the slower the clock seems to run.

### 3. Cultural differences between European Union and United States



#### History

The weight and importance of history are very different depending on which side of the Atlantic Ocean you are. On the North American side, history is much shorter: the USA started its existence as a country in 1776, Canada in 1867. By contrast, the history of most European nations goes back much further in time.

This difference translates in the business world in the amount of background information needed to introduce a company or project. For most North Americans, events that took place more than three to five years ago are considered irrelevant to the current situation, and background information on a project is usually limited to the latest developments. By contrast, many Europeans go back much further in time and often start the description of their company or project at the conception stage, no matter how long ago that event took place.

This often results in miscommunication during joint meetings where people from both sides make presentations: North American audiences often find European presentations uninteresting, because they contain much superfluous background information (by North American standards), while European audiences often find that North American presentations lack key background information, making these presentations difficult to follow

## **Language**

In North America, English is the language for business. The only significant exception is Quebec where, while many Quebecers speak both English and French, the exclusive use of English may create some difficulties.

In the European Union, while English is generally accepted as the international language of business, the ability to speak English is not ubiquitous, as the following table indicates:

**Table 4: Percentage of adults who speak English**

Country	Percentage
Germany	44%
Italy	16%
France	31%
Spain	12%
Belgium	34%

Furthermore, the ability to speak English is not uniform across generations. Indeed, the acceptance of English as the international language of business is relatively recent. As a result, you may find that, outside the British Isles, young Europeans speak and understand English much better than their older counterparts. This difference can create tension, particularly when these people come from countries where hierarchy is important (such as France, Italy, and Spain). In some cases, good cases may be rejected because senior decision-makers do not understand them and may not want to acknowledge their lack of understanding in front of their younger colleagues.

## **Land, Resources and Time**

Both the USA and Canada were built on the assumption that land, energy and resources (such as water, minerals, wood, etc.) are always available. If there is not enough available where you are, go somewhere else (west, in most cases) and you will find it. In North America, energy, land and resources are considered available in virtually unlimited supply; the only commodity that is continuously in short supply is time. By contrast, space, energy and resources are all in visibly limited supply in Europe. The need to conserve them is always present in European minds, particularly those who have experienced the damages of World War II.

This results in very significant business practice differences between the European Union and North America: the size of cars and equipment (from refrigerators to office equipment) the use of lighting, the use and whiteness of paper (North American documents are often single-sided and contain much blank space, for example) are daily examples of this difference in approach.

Similarly, North American businesses tend to prefer building new, flat buildings on large pieces of land rather than revamp existing buildings.

### **Homogeneity**

One common oversimplification made by people on both sides of the Atlantic Ocean consists in viewing the other side as relatively homogeneous from a cultural standpoint. For example, with the notable exception of Quebec, many Europeans tend to view North America as a continuum, with little difference from one location to another. Similarly, many North Americans tend to think of Europe as the British Isles and the rest of the continent.

Europe itself is very diverse, and the UK is culturally closer in many respects to the USA and to English Canada than to Italy or France. Similarly, there are major regional differences within North America: English Canadians and Americans hold very different values on many social issues (including guns, health care, and education). Within the USA, there are significant differences between the Northeastern States, the South, the Midwest, and the Southwest.

Cultural differences between North America and the European Union can be quite significant and need to be taken into consideration when doing business with people on the other side of the Atlantic Ocean. It is also important to keep in mind that neither North America nor the European Union are culturally uniform entities: there are significant variations within each trading bloc, and very few generalities can be stated about one trading bloc versus the other. Furthermore, the differences between European and North American countries depend on the countries considered on each side of the Atlantic Ocean: for example, Swedes can tolerate significantly more risk and uncertainty than Americans, but French people need far more structure and rules than Americans.

## **4. US companies in Europe, European companies in US – a proposed case study of Starbucks and IKEA**

To further develop the different approaches to business of Americans and Europeans, we can give the examples of two well-known companies that have been dealing with the ups and downs of internationalization for many years. Starbucks, a US based franchise and IKEA, the world famous Swedish make-it-yourself furniture provider are two of the many companies that had to adapt to their international buyers.

### **A struggle for Europe**

When Starbucks Corp. opened its first Japanese café in Tokyo's fashionable Ginza shopping district in 1996, it was an overnight smash. Nevertheless, sales have been dropping in Japan since 2003 and it still faces difficulties on the market. It isn't just Japan. From Zurich to Tel Aviv, Starbucks' overseas expansion is running into trouble. Now operating in 40 countries

beyond the U.S. and Canada, Starbucks cafés have encountered a host of problems, from high start-up costs to stiff competition, and, in many cases, resistance to the Starbucks experience. While it has scored big in the U.S. as a hip purveyor of better coffee, it is often seen abroad, especially by European café-goers, as an overpriced imitation of the real thing.

For decades Starbucks has been left out of the Scandinavian part of Europe. While sales in Asia, and especially in Saudi Arabia, were raising, the Scandinavian market seemed like the forbidden land for the international franchise. The first attempts to enter the Scandinavian market were made in Denmark in 2002 and they were not successful. The company decided then that it was just not the right time. In fact, the concept that Starbucks represents for the Scandinavian consumers was that of a “Coffee McDonalds” . Many analysts say that Starbucks has a good coffee, a good service, but it just lacks the atmosphere. When the company decided to enter the French market, it knew what it was up against. France's different coffee-drinking culture and a German partner bailing out are Continental challenges for its aggressive expansion plan.

In France, Starbucks hopes to benefit from cultural change in a country where lingering at family-run cafés is something of an art form. Since the company launched its first French café on the Avenue de l'Opéra on Jan. 16, 2003, nine more have opened in high-traffic locations around Paris.

So far, Parisians don't seem to be balking at paying top-Euro for caramel macchiatos and other beverages in paper or plastic cups. Starbucks lines can be long at peak times, with seating hard to find. Reviews seem generally positive.

Things didn't go smoothly for Starbucks in Germany as well. The different coffee-drinking culture has put its' mark on the whole internationalization process.

Coming back to Scandinavia, Starbucks has opened the first store in Copenhagen Airport in June 2007. The way was not paved with golden bricks for the international chain. Scandinavian coffee-drinkers are some of the most traditional in Europe and Scandinavia is a leading consumer of good quality coffee. Opinions among the people were shared. Some welcomed the store while others reluctantly argued that “they should stay where they came from.” The competition is fierce, but it is not only this aspect of the business environment that Starbucks had to overcome just to find its' way into Kastrup airport.

Many analysts say that the aggressive expansion of the American chain and the way it deals in business have kept it out of the Scandinavian market. Of course, prices and costs have had a certain influence in the decision to open a store in Copenhagen, but the cultural aspects have also been of high importance. The individualistic and masculine approach to business that Starbucks comes with and promotes was not welcomed in the more feminine and less hierarchical Scandinavia. The employee – employer relationship has had a real influence on the way Starbucks might be doing business in this part of the world.

The prediction for Starbucks in Scandinavia or even in Copenhagen is not one of immediate expansion. For now, there are no plans to open any other stores anywhere else than in Copenhagen Airport.

### **New gains from the European market?**

Leaving aside the difficulties it encountered in Europe and mainly in Scandinavia, Starbucks has recently experienced a downfall in revenues from its own US market. This year, the international giant has signed a licensing partnership with food operator SSP.

The deal will see more than 150 Starbucks stores opened in airports and railway stations over the next three years.

The move comes as Starbucks seeks to offset a slump in the US market with increased growth in Europe. In November, Starbucks reported its first quarterly decline in US customer traffic to its stores. The decline has continued, forcing the chain to think of more innovative products and look overseas for future growth prospects.

Starbucks chairman and chief executive Howard Schultz said he was confident the deal would consolidate Starbucks' presence in Europe, including key markets Germany, the UK and France. "This collaboration aligns with our strategy to accelerate growth in our international business," said Mr Schultz. "It provides us with a strong platform to further expand the Starbucks brand across Europe."

In November, the company cut its sales and earnings forecasts saying higher food and energy costs would trigger a drop in the number of Americans buying lattes and espressos. It also said it would open 2,500 stores in its 2008 financial year, 100 fewer than its original target. Starbucks opened its first coffee shop in Argentina earlier this month through a Mexican partnership. Mr Schultz conceded that Starbucks' focus had been "primarily on the US business" but the company's deal with SSP represented a "broader opportunity".

### **IKEA in USA – a success story**

**IKEA** is a privately-held, international home products retailer that sells flat pack furniture, accessories, bathrooms and kitchens at retail stores around the world. The company, which pioneered flat-pack design furniture at affordable prices, is now the world's largest furniture manufacturer.

IKEA was founded in 1943 by Ingvar Kamprad in Sweden and it is owned by a Dutch-registered foundation controlled by the Kamprad family. The company distributes its products through its retail outlets. The chain has 278 stores in 36 countries, most of them in Europe, the United States, Canada, Asia and Australia. 2006 saw the opening of 16 new stores. A total of at least 30



openings or relocations are planned for 2008. IKEA is one of the few store chains to have locations both in Israel and in other Middle Eastern nations.

The first IKEA store was opened in Sweden in 1958. The first stores outside Sweden were opened in Norway (1963) and Denmark (1969). The 1970s saw the spread of stores to other parts of Europe, with the first store outside Scandinavia opening in Switzerland (1973), followed by Germany (1974). During the same decade, stores were opened in other parts of the world, including Japan (1974), Australia and Hong Kong (1975), Canada (1976) and Singapore (1978). Germany, with 43 stores, is IKEA's biggest market, followed by the United States, with 34.

Over the years, IKEA has seen an increase in sales in the US and also a very rapid expansion. But "very rapid" in the IKEA philosophy is a different concept than in the American Starbucks concept. IKEA takes its time. The company came to the US, a strong masculine culture, monochronic and deal-focused business society with its feminine and egalitarian views. In the owner's words the real secret of IKEA's success is that they "are a concept company". IKEA's concept is articulated in a document drafted by Kamprad in 1976: "a furniture dealer's testament." It outlines a set of nine commandments -- including perpetuation of the "IKEA spirit" of enthusiasm, thrift, responsibility, humbleness, and simplicity; and "always asking why we are doing this or that . . . refusing to accept a pattern simply because it is well established."

It seems that IKEA has found a suitable and successful way of being different in a diverse environment and, while adapting to the buyer, remaining true to its starting beliefs.

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