Many business historians often start from the perspective of a world without organizations and even question why they should exist. They consider the exchanges between the individual buyer and seller and how these can be achieved at the lowest cost. Coase argued, as far back as 1937, that creating an organization only made sense if the transaction costs resulting from purchases in the market were greater than the costs of setting up and running the organization.

However, technology and globalization have shifted the balance towards the market and away from hierarchical organizations. Individuals could obtain all they needed (needed, not wanted!) through the marketplace by initiating the transaction themselves. Markets are the means whereby buyers and sellers can be brought together and thus work best to the benefit of all, except when they become inefficient. On the other extreme, the communist centralized planning model placed all transactions within the organization.

In western thinking, a free market has the following features:
- There are a large number of buyers and sellers – so the buyer has a choice of suppliers.
- The buyers know what they want.
- They are able to pay for it.
- They act independently of each other.
- The sellers are each free to enter or leave the market.
- Information about products and services and processes is free and accessible.
- There are no overhead costs in the actual transaction – simply the price.

The market model is based on the assumption that social activity derives from the private dealings between individuals or groups.

Hierarchies work best when the transactions between the parties:
- are certain,
- occur frequently,
- require specific investments in time, money, equipment, and technology, and
- are not easily transferred to the open market.

These fundamental models that lie at the extreme ends of a bipolar spectrum have been debated and explored at length by western economists. However, as we shall demonstrate throughout this book, when we begin to include other cultures as either – or as both – buyers and sellers, not only do these basic models fail the marketer because of cultural differences, but an entirely different logic is also required that transcends this bipolar western thinking.

In western thinking, marketing has become an all-embracing business discipline. The Chartered Institute of Marketing in the UK defines marketing as “The management process that identifies, anticipates, and supplies customer requirements efficiently and profitably.” This implies both an external orientation – looking outward and studying the nature of existing and potential markets – and an internal orientation, to ensure an organization manages its resources effectively in order to meet those needs. Strategic marketing is the process of ensuring a good fit between these extremes.

Marketing as a discipline had (and still has) less significance when goods are scarce and demand exceeds supply. In such an environment, an organization can sell all it can make, so why bother to spend time and effort in trying to understand customer needs? In addition there may be little motive for being efficient if an organization has a monopoly. The East German Trabant car pleased very few of its purchasers, yet some manufacturing plants had up to 20 years of orders. This was in sharp contrast to the West German market, where increasing competition resulted in excess supply. Western manufacturers then had to modify their products to reflect consumers’ changing desires. A lower sales price, higher product quality, and other benefits could only be achieved by efficient production. With the reunification of Germany, the Trabant came to an abrupt end, as western manufacturers seized the opportunity presented by an extended and, in effect, new marketplace.

Production orientation sometimes returns to an otherwise competitive market – such as during periods of bad weather, strikes, acts of terrorism – or simply changes in consumer tastes or demand, like ice cream on a hot day at a beach café. However, the situation which organizations faced more frequently was one of increasing competition and thus many had to “shout louder” in order to entice customers to buy what they had produced (Palmer and Worthington, 1992). Little or no thinking was applied to identifying the benefits to the customer of the products that were being offered for sale; there were no attempts to identify customer needs in order to define what should be produced. Sales techniques such as promotions and personal selling were developed to emphasise what was on offer. Heavy advertising and promotion of package holidays during the 1970s and 80s were based on this mentality. This shift towards sales orientation still did little to focus on satisfying customer needs. Marketing orientation developed as competitive markets shifted in the buyers’ favor. If a product had benefits that a customer wanted, then the customer would buy.

This marketing orientation first achieved prominence in industries manufacturing products that were largely undifferentiated; it was their route to survival. Much of the theory was developed from Anglo-Saxon and US-led research, and is heavily biased towards these cultures. Even services in the public sector became increasingly attracted to this approach. Hospitals, schools, and government departments all began talking in terms of business objectives. Hospital patients became “clients” and rail passengers became “customers.” However this was often driven more by governments allocating resources to service providers that were popular, rather than cost efficiently creating a “have and have not” society.
Thus we arrived at an era in which marketing has become a business ideology, with the customer as the locus. However with the internationalization of business marketing professionals and strategists have become increasingly aware of the need to include culture as a fundamental component in their thinking. To their anguish, established theories break down and are insufficient when organizations are faced with new global markets with different cultural orientations.

The first serious book on the subject of the cultural aspects of marketing was written by Jean-Claude Usunier in 1997. It was published more than 20 years after warnings by two other Frenchmen, André Laurent and Michel Crozier, about the limitations of Anglo-Saxon approaches to management and organization theories.

Usunier’s book, however, only barely scratches the surface. His main stance was to compare the differences between cultural systems in which marketing activities unfold. This is very similar to what we will later describe and explain as the multi-local approach: that is, to offer different products or services adapted to each destination culture. Usunier does not resolve the dilemmas that a truly transnational approach requires. Like many other writers, he also refers to culture as a factor affecting business, like other socio-political, financial, ecological, and legal factors.

Culture, based on our research at Trompenaars Hampden-Turner, is not like this; it is not simply a factor like most processes in the transactional environment. To provide a reliable, generalizable framework that can help the modern marketer, culture must be considered as the context within which all transactions with stakeholders take place. For the transnational organization it changes the entire landscape because it is not just another factor to put into the equation. It is the dominant factor, one that pervades all relationships and behaviors and, importantly, “meaning.” Culture challenges the fundamental strategy of marketing, customer relations, definition of product, price, and advertisement. In short, culture is all pervading.

It is not unexpected that marketing, as a discipline, has lagged behind other business disciplines in recognizing the need for it to be rewritten to account for culture. This is partly explained when we remember that it is one of the organizational disciplines that is heavily influenced by (abstract) economic theories. Often the approach is too simplistic as it implies, firstly, that tastes, preferences, and habits are transferable between countries; secondly, it also implies that there is (real) free trade between nations. As far as these examples go, we obviously know better today. Even now, when wine has become a global product, it still takes the French at least ten times longer to choose the right vintage and grape combination than it does the Dutch, who tend to be more focused on price. Although free trade is talked about a lot by both the European Union and President Bush, the actions of politicians reveal the contrary in practice. The clash of cultural identities is perhaps one of the most dominant issues that results in political leaders losing any kind of integrity or respect in the international context, while remaining surprisingly popular at home.

Why dilemmas, and dilemmas of marketing? A new model of marketing competence

Richard Boyatzis’ seminal book The Competent Manager (1982) generated a paradigm shift in the quest to identify the characteristics distinguishing superior from average managerial performance, in attempts to identify and construct the “competent” manager. And this brings us directly to marketing. What are the competencies needed in order to be effective in marketing in today’s ever-globalizing world?

1. Knowledge and understanding is stored within corporate cultures, especially in the relationships between people and the relationship between the organization and its market.
2. Marketing strategy consists not of one infallible master plan, or “grand strategy,” but in hundreds of trials and tentative initiatives.
3. Learning occurs when we eliminate the less successful trials and intensify and explore the more successful ones by continuously monitoring feedback from activities. Successful insurance is an unending inquiry into what helps customers and rewards the organization.
4. Management of change is based on adding value rather than throwing away the value of the old situation.

Our approach to understanding a corporation is to investigate its dilemmas. As we have previously noted, the word dilemma is from the Greek, meaning “two propositions.” In our findings all cultures and corporations have developed habitual ways of resolving dilemmas, of being – for example – both well centralized and highly decentralized at the same time. The success of a company will depend, among other things, on both the autonomy of its parts and on how well the information arising from this autonomy has been centralized and coordinated. If you fail to exploit fully centralized information, your scattered operations might as well be totally independent. If various business units are not free to act on local information, then your HQ is subtracting, not adding, value. Any network only justifies itself by fine-tuning the values of decentralized action and centralized intelligence, which is then fed back to the various units.

In this book we focus on how, by recognizing and respecting cultural differences, marketing professionals have to face a variety of dilemmas in order to be effective.

The opposites that marketers must deal with, like growth and decay, put tension into their world, sharpen their sensitivities, and increase their self-awareness. The problem cannot be “solved” in the sense of eliminated but can be transcended. Small and family businesses need stability and change, tradition and innovation, public and private interest, planning and laissez-faire, order and freedom, growth and decay. Successful marketers get surges of energy from the fusing of these opposites.

Dilemma reconciliation could easily be described as good judgment, intuition, creative flair, vision, and leadership. Yet all these capacities have proved elusive when people try to explain them and they tend to vanish as unexpectedly as they first appeared.

Thinking in dilemma:

A dilemma can be defined as “two propositions in apparent conflict.” A dilemma describes a situation whereby one has to choose between two good or desirable options, for example: “On the one hand we need flexibility while on the other hand we also need consistency.” So a dilemma describes the tension that is created due to conflicting demands. In dealing with such apparently conflicting propositions, there are several options.

Ignoring the others

One type of response is to ignore the other orientation. Stick to your own standpoint. Your style of decision making is to impose your own way of doing things either because it is your belief that your way of doing things and your values are best, or because you have rejected other ways of thinking or doing things because you have either not recognized them or have no respect for them.

Abandon your standpoint

Another response is to abandon your orientation and “go native.” Here you adopt a “when in Rome, do as the Romans do” approach. Acting or keeping up such pretences doesn’t go unnoticed. Others may mistrust
you and you won’t contribute your own strengths to the situation you are in; it's like trying to impress on your first date.

Compromise
Sometimes do it your way. Sometimes give in to others. But this is a win–lose solution or even a lose–lose solution. Compromise cannot lead to a solution in which both parties are satisfied; something has to give.

Reconcile
What is needed is an approach where the two opposing views can come to fuse or blend, where the strength of one extreme is extended by considering and accommodating the other. This is reconciliation.

Clustering dilemmas of marketing
Culture, like an onion, comes in layers. The outer layer covers everything you can see and hear. All the things that visible and audible belong to the "outer layer of culture." This layer is thin. It can be peeled off easily, revealing a deeper layer. You simply notice that people in other cultures behave differently. The reasons why they do so are in the second layer: the domain of "norms and values," "good or bad," "right or wrong." You will never be able to see a norm, nor shake hands with a value. You can only observe their power on the surface level in the behavior of people. You may feel uncertain interpreting certain behaviors; what's good or normal in your culture may be wrong or strange in another. Is it bad when people shout? How should you interpret the feelings of customers who show no emotion at all? What impact would it have if you were to be late for an appointment with a customer?

To understand marketing across cultures, we need to look for an explanation for all these differences in the core, the innermost layer. Every culture has its own history, often a long one. There have been disasters and plagues, shortages of food and labor. There have been influences from other cultures, war, migration. And then there's nature, sometimes wild and dangerous, sometimes willing and generous. And don't forget “other people”: old people, young people, friends, and enemies. Throughout the centuries mankind has faced similar basic problems concerning other people, time, and nature. Each society has solved these problems in its own unique way and each solution is called a "basic assumption." Culture is the result of all the basic assumptions a society has developed over the centuries in order for it to survive. Only if you are familiar with these basic assumptions can you really understand a specific culture.

Basic assumptions are all in the head, passed down from generation to generation: they're in your head as well and they got there unnoticed. Basic assumptions are very important for understanding cultural differences. They can be measured by dimensions, and at THT we distinguish seven basic cultural dimensions. Each one is like a continuum, covering all possible combinations between two contrasting basic values. Someone from a different culture will have a cultural profile that is different to yours. But remember that differences are just differences; in music an F-sharp is no better or worse than a B-flat – they are just different. And exactly the same can be said about cultures.

When we set down a product or marketing plan from one culture in another, the underlying assumptions of the culture in which it is placed will give it new meaning. This meaning is often puzzling and disturbing to the culture that invented it. The meaning of explicit "artefacts of culture" is revealed a deeper layer. You simply notice that people in other cultures behave differently. The reasons why they do so are in the second layer: the domain of "norms and values," "good or bad," "right or wrong." You will never be able to see a norm, nor shake hands with a value. You can only observe their power on the surface level in the behavior of people. You may feel uncertain interpreting certain behaviors; what's good or normal in your culture may be wrong or strange in another. Is it bad when people shout? How should you interpret the feelings of customers who show no emotion at all? What impact would it have if you were to be late for an appointment with a customer?

What marketing has to achieve is the creation of wealth through the relationships between people and what they value. A product or service is a distillation of reconciled values offered to customers through relationships. On a larger level in our dangerous world of polarizing differences, where hatreds have grown murderous, we must bridge new chasms if these are not to engulf us. Effective behaviors that result in the reconciliation of contrasting values, we call transcultural competence, although this can include differences that are not necessarily rooted in the cultures of nation states. Through the integration of values into ever larger systems of satisfaction we can develop our new theory of marketing.

A new theory of marketing
In this book we will offer a framework for rethinking the marketing approach for the transnational organization. We will look at some of the basic aspects of marketing – such as customer relations, market research, branding, etc. By treating culture as a context rather than a factor, we will consider the dilemmas faced by organizations when locating themselves in new markets.

For this purpose we need to extend the earlier definition of marketing. It now needs to include the system of activities which facilitates human interaction and information between products/services on the one hand and markets on the other. Therefore it goes beyond the original, Anglo-Saxon, meaning of how to get a product or service into a market.

There has been much discussion as to whether markets will ever globalize. Even when products and services tend to become more similar over time, and there is no doubt that this is happening, customers seem to have different reasons for buying similar products. Indeed the cultural factor is so dominant that some authors doubt there will ever be a converging taste across all customers, around the world.

It is difficult to ignore the fact that this process of increasing global competition has been increasing over the last three decades or so. Macro-economic data support the proposition that international and regional trade has increased significantly faster than the accumulated GNPs of those countries trading. Economic integration across cultural boundaries and, therefore, global competition has increased significantly as a result. Similar macro-economic data suggest that this situation has occurred even more so in many regions – Europe in particular, with the fall of the Berlin Wall and the integration of European markets. Nonetheless similar patterns are also unfolding in the Asia-Pacific region and in North and Middle America (NAFTA).

The reasons for this type of globalization have typically been based on internal business economic strategies. The first phase, in the 1960s and 70s, was initiated by multinationals who delegated much of their authority to their local generating companies, in order to be as close to the market as possible. The country managers, being local lords of fiefdoms, exploited their authority by emphasizing that decentralization was the most relevant strategy in order to have the ability to react to local market circumstances. Then, in the 80s, under the doctrines of McKinsey and the like, a big centralization move was initiated. It was claimed that multi-local approaches needed to be replaced by centralized processes in order to achieve any global economies of scale. Here we can see the fundamental dilemma of globalizing. On the one hand, globalization is stimulated by production processes that are consistent throughout the organization to save costs; on the other hand, we find the obvious responses for sales and marketing people to adapt their products and services to the needs of local customers.

This dilemma didn’t vanish, despite the fact that two interesting global developments have occurred since the 1980s. Firstly a further increase of global integration, especially in the late 90s, occurred across cultural and company borders with the merger and acquisition wave. Secondly, and
also in the 90s, there has been a fundamental increase in the mobility of
demands. In a similar period, Ryan and Ratz (1987) observed a high level of
American multi nationals in Europe, with durable consumer goods. In
Hansen and Boddewyn showed that between 1973 and 1989 there was a
infrastructure to support it. Picard, Boddewyn and Soehl (1989) and
delay between new market penetration and the global consolidation of the
Research in the late 1970s and 80s has shown that there is considerable
differences and the challenges they generate for marketers.

In our research at THT we have helped marketers elicit the dilemmas
they face in their work and those that are faced by their organizations.
Using face-to-face interviews as well as our web-based systems, we have
accumulated over 6,000 basic dilemmas. Applying clustering and
linguistic analysis techniques we quickly begin to see a number of
fundamental dilemmas that are faced by organizations as they reach out to
new markets. They are discussed in detail throughout the body of this
book but can be summarized holistically as shown.

In our parent book to this series, Business Across Cultures, we
introduced some aspects of marketing across cultures. There is inevitably
some overlap in order to make this more comprehensive and dedicated
book on marketing readable without constant reference to the parent
publication.

We also need to avoid a list of “dos and don’ts.” So, firstly, we will
develop and explain our overall conceptual framework for categorizing
demand. It is the differences across these orientations in
different cultures that generates dilemmas. We can then extend our
framework for reconciling these dilemmas to produce win-win solutions
that transcend any particular culture or set of differences. Many of these
dilemmas and their solutions will be illustrated with case studies taken
from our research and consulting practice at THT. Again we see our role
as providing a focus on a marketing knowledge framework for cultures,
rather than one simply of cultures. We trust that our framework will offer
practical help to marketers and strategists as they cope with an
increasingly oligopolistic global marketplace.

The key dilemmas of marketing:

<table>
<thead>
<tr>
<th>On the one hand</th>
<th>On the other hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should we sell what we can make (push)?</td>
<td>Or make what we can sell (pull)?</td>
</tr>
<tr>
<td>Do we strive for standard global products?</td>
<td>Or do we try to sell unique products adapted to the needs and tastes of local markets?</td>
</tr>
<tr>
<td>Do we satisfy existing customer needs?</td>
<td>Or can we create new customer wants?</td>
</tr>
<tr>
<td>Do we sell to individuals?</td>
<td>Or do we sell to groups, thus creating fashion and trends for others to join in?</td>
</tr>
<tr>
<td>Do we sell functional benefits (it works)?</td>
<td>Or do we sell intangible benefits (status – look at “me”)?</td>
</tr>
<tr>
<td>Is each transaction a unique, one-off sale?</td>
<td>Or is each sale part of a series in an ongoing relationship with a (long-term) customer?</td>
</tr>
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</table>

Marketing professionals are becoming increasingly aware of the need to
take account of culture when working in diverse markets. The issues of
branding for different cultures and of how to develop a marketing strategy
for the global market are current fundamental questions for us all. Our
methodological framework based on the recognition, respect, and
reconciliation of cultural differences offers an approach to addressing
these challenges.

Initially we’ll uncover some fundamental issues in marketing across
cultures. Then we will use our seven dimensions model of culture to
explore value systems and how these can help to explain cultural
differences and the challenges they generate for marketers.

In later chapters we explore how dilemmas arise across the activities of
marketing, including market research, branding and franchising, ethno-
marketing, e-marketing, and strategic marketing planning. We’ll give
many examples of products and brands that have faced fundamental
dilemmas when moving from local to international markets, and then on
to global and finally fully transnational brands. We’ll discuss how brands
integrate the variety of value orientations into an integrated system of
meaning. In Chapter 9, there are some exemplar cases for readers to
reflect on how well they have followed the thinking that pervades the
whole book.

You can check out your answers by going to the website that supports
this book and offers some further interactive content (www.cultureforbusiness.com)

We hope you enjoy reading the whole book and it helps you in your work
and contributes to the continued corporate success of your organisation

Fons Trompenaars and Peter Wolliams, Spring 2004