

# A Brief Analysis on Culture and Etiquette in Modern Business Relations — Basics, Importance and Comparison

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**Abstract:** The author of the article underlines the increased importance of knowledge of cultural dimensions in modern international business relations considering wider and narrower (practical) approaches to this topic. Openness of newly emerging markets in developing countries, primarily in Asia, development of informational technologies and trade created better opportunities for global economic East-West partnership in parallel. Regarding the author’s opinion, there is an underestimation of specific aspects of cultural components of business relations, especially when the number of actors, geography of countries and regions and the range of business cultural experience are steadily expanding. Further study of the mentioned topic will definitely contribute to the improvement of modern business culture and lessen the risk of failed business activity both at the governmental and corporate levels.

**Keywords:** Culture and etiquette, Modern East-West business relations, Comparative analysis

## I. INTRODUCTION

The end of the Cold War and opening of the era of liberal economic relations based on transparent and intensive development of free trade, movement of capital, investments and labor force have created a wide range of opportunities for global business prosperity and stability alongside challenges that accompany this large-scale campaign. These challenges indicate a desperate need to tailor the management of all levels of business relations to a new reality in contemporary international politics and economics. The 2008 global financial crisis not only exposed pure economic problems but also expressed serious concern regarding the managerial activity of government and private sectors in the context of risk prevention in business deals. In this respect, the cultural dimension of modern business relations will be a topic of brief analysis.

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## II. DEFINITIONS AND NATURE OF CULTURAL COMPONENTS OF MODERN INTERNATIONAL BUSINESS

There are a variety of definitions of business culture in academic literature, and this concept has also been defined by practical business executives. Some of them, in our opinion, reflect its core content — “In a business context, culture relates to what behavior is common and accepted professionally in one location, compared to another. What may be acceptable business practice in one country may be very different from the approach that is used by businesses overseas. Therefore, recognizing how culture can affect international business is something that should be understood in order to avoid misunderstandings”,<sup>1</sup> while “cross culture in the business world refers to a company’s efforts to ensure that its people interact effectively with professionals from backgrounds different from their own ... it implies a recognition of national, regional, and ethnic differences in manners and methods and a desire to bridge them”.<sup>2</sup>

Based on our understanding, the cultural dimension of modern international business relations in a wider sense (global level) reflects the complexity of various cultural values, mentalities, customs and behavior of people as well as overall specifics of different countries incorporated in rapidly changing global political, security and economic interactions. The other cultural component (corporate level) of international business activity is connected with management, including the readiness of personnel of corporations to cope with the challenges of an era of new technologies, better education, as well as timely and effective adaptation to changing political and business environments on emerging markets. The key issue is the extraordinary importance of preventive measures in corporate business culture regardless of which countries are considered — high, medium or low-income, Western or Eastern cultural origin. Thus, the culture and quality of corporate management in combination with better knowledge and understanding of national traditions of partners in many cases determines business success. Enormous natural, technological and financial resources of some countries, especially located in the rising Asian econom-

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1 Rebecca Twose, *How Does Culture Affect International Business?* *Language Insight*, Industry Blog, May 21<sup>st</sup>, 2019.

2 Carol M. Kopp, *Cross Culture*, *Investopedia*, October 3, 2019.

ic region cannot operate effectively if their economic policy is not supported by modernized business management.

a. The cultural risk has the same impact as political, economic, financial and other risks. Moreover, since it reflects human relations and behavior of individual decision makers, it directly and indirectly, and rightly or wrongly contributes to output in business activity.

b. Globalization has created both positive and problematic trends in modern business life, including potential loss of cultural identity and national traditions, while based on the opposite perspective, it has resulted in the establishment of a more transparent environment and has moderated standards of business relations. Rapid development of international trade, a massive amount of new entrants into new emerging markets, as well as the intensification of business contacts and touristic exchanges have substantially increased the importance of cultural knowledge of partners, languages, specifics of national traditions and their reflection on business success.

c. Business etiquette and specifics of behavior of partners have always been important in business life. Today their value is even higher since, as mentioned above, the current dynamics of international economic relations, changes in the balance of power in the global economy, the appearance of newly emerging markets and participants, in addition to unexpected risks in parallel with the rise of the Asian (mostly Chinese) market, require more accelerated efforts to participate in in-depth study of cultures of other nations. Moreover, “the main problem for companies is to adapt to the new national cultures it encounters ... If not, there will be a gap that will gradually increase and market entry will be a failure”.<sup>3</sup>

d. With the activation of East-West economic relations, including the Belt and Road Initiative (BRI) inaugurated by the President of China Xi Jinping, including the participation of more than 60 countries and a population of 4.4 billion that differs based on size, resources, experiences and traditions, the mentioned topic has been converted into a special practical interest.

e. The introduction of recent economic sanctions by global trade players is accompanied by relocation of goods and services on the world market. This move is connected with the rapid change of partners (qualitatively and quantitatively) and the environment of activity. Under these circumstances, knowledge

<sup>3</sup> Paul Harris and Frank MacDonald, *European Business and Marketing*, Sage Publications Ltd., 2004, pp. 121-122.

of new business partners and markets should be obtained in a relatively short period of time and in a cost-effective manner. This enhanced knowledge of partners' cultural background can be important factors for successful transactions.

f. The introduction of new technologies and innovations in business life has also emphasized the need to accelerate other countries' accumulation of cultural experience and their adaptation to updated technological innovations under changed circumstances.

g. A mostly non-controlled massive migration of the labor force that began at the start of the new millennium (in the Middle East, Africa, and Europe) can also be considered as a new reality for cultural interaction, which is presently introducing more problems (lack of knowledge of national and religious specifics is preventing understanding and cooperation). This environment contributes some tensions to the political lives of the European states and at the level of the EU, damaging their solidarity and increasing its budgetary spending.

h. Traditional trade with "face to face" business negotiations is being replaced by higher-demand online purchases (Amazon, Alibaba companies, other global online traders). Absence of direct talks decreases an interest in cultural background of partners, and this trend represents, in our view, the negative side of globalization.

In general terms, we can divide cultural business traditions into three major directions — Western, Eastern and mixed, such as Eurasian (or other combinations), when each of them is also subdivided into certain internal groups and reflects the cultural diversity and variety of specific features (for example: American and European, Chinese and Arabic and so on).

Each of them requires due respect and study, and in our case, we will limit this to a summarized description of differences and specifics of the cultural diversity of the international business community, taking the Western and Eurasian cultures as an example.

### III. WESTERN CULTURE OF BUSINESS RELATIONS

- a. Hard work to achieve goals (religious factor originating with the roots of the Protestant work ethic and strongly reflected by the earliest stage of US history);
- b. Informality and rationality when conducting business relations;
- c. Lawyers are key members during business negotiations;
- d. Agreements should be honored;

- e. The individual can influence the future (“where there’s a will there’s a way”);
- f. Corporate and not family obligations are more important;
- g. Each person has the freedom to speak during negotiations;
- h. Verbal language dominates during negotiations;
- i. The tradition of exchanging gifts is generally not a common practice.

#### IV. EURASIAN CULTURE OF BUSINESS RELATIONS (CASE OF GEORGIA)

- a. It is a combination of Western and Eastern values and traditions;
- b. During business relations, informal communication is important, in particular during frequently friendly, informal long standing dinners accompanied by consumption of alcoholic drinks, mainly wine and delicious Georgian cuisine. The local community highly welcomes the readiness of business partners to join this tradition and it usually has a positive impact on the decision-making agenda. Close high-ranking friends, including artists, quite often join these gatherings. They regard invitations of business partners in a home environment as a common custom and gesture of goodwill. However, business lunches and dinners in restaurants have become more popular;
- c. Georgian people are good toastmasters during all kinds of gatherings around the dinner table, and are world-renowned for this cultural tradition. However, there are usually a lot of very long toasts that have philosophical and humorous content to which attendees are expected to listen, so guests who respect this custom are rewarded with the same respect;
- d. Georgians are a bit romantic and deeply respect traditions of family, aged relatives and friends, somewhat reflecting the philosophy of the Chinese “guanxi” (关系) system based on the ideas of Ren (仁), Junzi (君子) and Li (礼) as well as conceptually based on the ideas of Confucius (promoting individual aspects for the progress and commonality of business and culture);
- e. Intermediaries are widely used to achieve positive outcomes in business deals;
- f. Timeliness for meetings is sometimes not guaranteed;
- g. Body language often accompanies business negotiations. Silence is usually not accepted as an active reaction during business talks;
- h. In some cases, family or friends’ interests and obligations prevail rather than corporate ones (but this is presently in decline);

- i. Considerations of employees' family and friends is meaningful in determining employment practices;
- j. Hard work is considered in combination with the importance of the will of God and luck;
- k. Prioritizing friendly rather than business relations at all stages of business deals is more common and socially understandable;
- l. The cultural practice of gift exchange is a part of traditions (mainly through exchanges of Georgian wine and local branded souvenirs);
- m. Nowadays, it is a common mistake to consider the Russian language as the main language of business communication in Georgia. As a rule, business negotiations and correspondence are in English. However, Russian and other languages are used with other core languages. Due to intensive economic cooperation and touristic exchanges, there is an increased interest in Chinese language in Georgia;
- n. If business relations lead to a dispute, it will be resolved based on a mutual desire to do so in a friendly and constructive atmosphere rather than to appeal to the court system;
- o. Etiquette for greetings is in the style of southern European countries — handshaking and a loud, emotional welcome;
- p. Number of members of a delegation during business talks is usually limited, unlike other countries (mostly Asian);
- q. Hospitality and friendly respect remain despite failed business relations (excluding extraordinary cases);
- r. Personal trust between business partners sometimes is more important than written obligations.

## V. CONCLUSION

We think that non-economic factors in contemporary international business relations along with underestimation of cultural specifics in modern business management will lessen the efforts of governmental and private sectors, as well as individual or corporate actors to conduct cost-effective economic cooperation, particularly in the context of new investment and trade opportunities coming from the Asian market and the intensification of East-West joint projects.

There should be more academic and practical contributions to the study of the mentioned topic in order to prevent possible managerial and other risks in the future.