

The Strategic Value of Relationships

Business is a social activity with economic outcomes

By Jack Keogh

Beginning with the fact that 50%-60% of international mergers and acquisitions fail because organizations misunderstand the cultural and people issues involved in the business deal, we can make a very strong argument for the Human Resources function being critical to any foreign business venture. Why?

If we consider that – especially outside of the United States – business is understood as a social activity with economic outcomes, it should be obvious that building relationships is critical to success in international business. However, this approach is typically downplayed in American business. If not HR, who else is going to develop a relationship oriented culture? The question becomes, how do HR professionals help develop a more relationship-savvy workforce?

A critical step in being able to build relationships in any foreign market is to understand the culture of the people in that market. An elementary place to become aware of this is to examine the world view we grew up with as children. In the maps used in Europe, England is situated as the center of the “world”. Children growing up in America used a different map. In their map, America is the center of the “world”. The Asian view of the world is different from the European and American. Hence, our view of our place in the world is already influenced by the maps we were taught with!

Our world view was further shaped, without us realizing it, by the history, geography and religion that influenced the beliefs, values and assumptions that we accepted as our own and took for granted. As adults, we are not aware of how much our native culture impacts our approach to life and business. This is because culture is mostly invisible to those who live within it. Most of us become aware of “culture” when we get to live, for an extended period, outside our native culture. Does our cultural orientation affect how we develop relationships?

Yes! Culture helps determines how we relate to others. In some cultures (Mexico is a good example) interpersonal relationships are all important. The “deal” comes after the relationship is established. In the U.S., on the other hand, interpersonal relationships are less important in the workplace. We do not need to have a relationship to craft a business deal. The impact of culture on relationships, and how they are managed, is underestimated by many people doing business outside of their own culture. Why is this so?

Culture is not something that we think about analytically. As Americans, living in a multicultural society, we are particularly prone to this strategic error. In our business model, managers are expected to solve problems - there is usually a “right” way and a “wrong” way. In the international arena our managers, more often than not, will be required to solve “dilemmas”. “Dilemmas” result when the nuances of different

cultural approaches may mean that what is “right” in my culture may not be appropriate in my host’s culture. Global managers need to be taught how to “reconcile” dilemmas - how to develop mutually agreeable solutions based, more often than not, on interpersonal trust and respect for cultural differences. When we reconcile dilemmas we come up with a new solution resulting from the synergy of divergent viewpoints. The power of the new approach may amaze us. How does this relate to a strategic approach to HR?

If we are to improve the dismal failure rate of international business deals noted above, human resources must address the social and people factors that have to be brought into play if the foreign business venture is to have a chance at succeeding.

Put another way, Human Resources’ strategic role in international business is to manage and develop the knowledge and talent base of its organization, which can then go out into the world marketplace and succeed at the social (interpersonal) level required to meet its economic expectations. The practical applications are many. The result is our contribution to harnessing the power of our human capital in order to achieve the critical strategic objectives of our organization. This is a practical, strategic approach that HR should adopt.