

Chapter 52

A Case Study on Cross-Cultural Differences: A Failure Story

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ABSTRACT

Following the globalization trend in the world, Turkey and Belgium have become good business partners in the international arena. Belgium, with its geographically and politically critical location and high Turkish population has been a very attractive European country for Turkish investors. However, there are still Turkish companies leaving Belgium possibly due to adaptation problems to business culture in Belgium. In this chapter, cultural differences between Belgium and Turkey are investigated using qualitative research method with a single company case study. The results of the study indicate that differences between Turkish and Belgian cultures are mainly due to language, communication and relationship building styles, different level of individualism, and future orientation.

1. INTRODUCTION

The introduction section presents background and problem definition, research question, purpose, and delimitations of the chapter.

1.1 Background and Problem Definition

Since the second half of the 20th century, the dominant trend has been toward the reduction of

barriers to international trade. The liberalization of world trade agreements, beginning with formation of the General Agreement on Tariffs and Trade (GATT) in 1945, the creation of regional free trade agreements such as the European Union (EU) and the North American Free Trade Agreement (NAFTA), and the formation of the World Trade Organization (WTO) facilitated a broad transition (Bartlett & Ghoshal, 1989, 2002). Companies expand their operations internationally for different reasons such as diversifying the risks and

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uncertainties of the domestic market, securing key supplies, increasing sales, reducing costs and increasing competitiveness (Rugman et al., 2006). According to Drucker, an important lesson of the last 40 years has been the increased participation in the world economy thus becoming the key to domestic growth. The world economy has become the engine of growth, prosperity, and employment for every developed country (Drucker, 1995).

Since every developed economy has become world-economy led, more and more companies, both large and small, are becoming international businesses (Katsioloudes & Hadjidakis, 2007). According to United Nation (UN) estimates, by 2004 the number of Multinational Enterprises (MNEs) had risen to approximately 70,000, collectively managing at least 690,000 foreign affiliates and with total revenues in excess of US\$18.7 trillion. Over the past 40 years, world exports as a share of output have doubled to almost 25 percent of world output. However, despite this enormous increase, economic evidence suggests that significant barriers to international trade still exist. These barriers include costs that occur specifically at the border such as tariffs, quotas, and paperwork due to customs and other regulations as well as the cultural differences between the countries (Ostapik & Yi, 2007).

One of the most important of the barriers mentioned above to international trade is cultural differences. Since the values, attitudes, and tastes of customers are influenced by culture, trying to do business without fully understanding the local culture can cause business failures (Ricks, 2006). However, when successfully managed, cultural differences can lead to innovative business practices, faster and better learning within the organization, and sustainable sources of competitive advantage (Hoecklin, 1995). Even though companies can more easily enter foreign markets due to globalization and the international agreements mentioned above, the survival of international companies highly depends on understanding and embracing the local culture (Ricks, 2006).

Following the globalization trend in the world today, Turkey and Belgium have become good business partners in the international arena. Economic relationships between the two countries began in 1947 with the payment agreement, and accelerated from 1995 when the EU and Turkey signed the Customs Union Agreement. Trade volume between Turkey and Belgium reached a total of 5 billion Euros in 2009. Figure 1 shows the evaluation of trade volume between the two nations throughout the years. In addition to export-import activities, there is a bilateral interest towards direct investments through acquisitions of both Turkish and Belgian investors. Turkish Yildiz Holding's acquisition of Belgian chocolate manufacturer Godiva for US\$850 million in 2007 was considered the most noteworthy overseas purchase and drew worldwide attention.

Additionally, Turkish Yildirim Holding's acquisition of 75.11% shares of Belgian Sealease Yatch Leasing Company in 2011 was a valuable investment for both parties (Deloitte, 2012). However, Belgian companies also had strategic investments in Turkey such as hygiene products company Ontex's acquisition of Astel in 2000, profile manufacturer Deceuninck's acquisitions of Ege profil in 2000, and sealants manufacturer Soudal's acquisition of Isik Group in 2011 (Hurriyet Daily News, 2010; Hbmedia, 2000; European Coatings, 2011).

Belgium, with its geographically and politically critical location and high Turkish population, has been a very attractive European country for Turkish investors. Investment by Turkish companies exceeded 1 million Euros as of 2010. These companies are dominantly active in the fields of furniture, construction, and textiles. However, there are still Turkish companies leaving Belgium, and one of the reasons behind the exits are apparently due to adaptation problems to the business culture in Belgium.

Despite the large number of studies made on cultural differences and their implications, no research exists comparing the cultures of Belgium

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