

Cultural INTELLIGENCE

Respect local norms or pay the price

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In global business, culture isn't a soft skill. It's a strategy. After more than three decades of helping U.S. franchise brands expand internationally, I can say with certainty that global failures are not all financial failures, legal failures, or supply chain failures. Sometimes, they are cultural failures.

Executives entering new markets often focus first on market size, GDP per capita, regulatory frameworks, tax structures, capital availability, and competitive dynamics. Those are all important considerations. But deals can succeed or fail because of how well a franchisor understands how people build trust, negotiate agreements, make decisions, manage hierarchy, and perceive time. Misread culture, and you lose money. Respect it, and you will succeed in expanding your franchise into new countries.

LOST IN TRANSLATION

A U.S. quick-service restaurant brand invested approximately \$50 million in entering China. The company imported its American operating model, placing heavy emphasis on delivery and takeout, optimized for speed and efficiency. Six months later, sales were flat.

The problem was not the food, the pricing, or the real estate. Dining in China is social. It is family oriented. It is shared. It is community driven. The American model prioritized efficiency; the Chinese consumer prioritized connection and collective experience. The company redesigned its stores to encourage shared dishes and group dining. Seating configurations were changed. Menu presentation changed. The in-store experience changed. Today, that same brand operates more than 1,000 restaurants in mainland China. The lesson was simple: The market wasn't wrong. The model was culturally misaligned.

A BILLION-DOLLAR REMINDER

Walmart entered Germany in the late 1990s with billions of dollars and enormous confidence. It brought American-style greeters to store entrances, introduced employee cheer routines, and emphasized its "Everyday Low Prices" positioning.

German consumers, however, value privacy and reserve. The greeters felt intrusive. The cheer routines felt awkward and even humiliating to staff. Meanwhile, discounters Aldi and Lidl already dominated the low-price segment with deep cultural alignment. After nearly a decade of losses and roughly \$1 billion in write-downs, Walmart exited Germany in 2006. The issue was not capital. It was cultural calibration.

NOT ONE-SIZE-FITS-ALL

Culture is a system of socially acquired values, beliefs, and rules of conduct that define accepted behavior in a society. It influences how people communicate, negotiate, prioritize time, and

structure hierarchy. Even within countries, demographic groups and industries differ, but at the national level, patterns matter. Business cultures generally fall into three broad orientations:

- **Linear cultures**, common in North America, Northern Europe, and Australia, tend to be task focused, time sensitive, individualistic, and transactional.
- **Multi-active cultures**, common in Latin America, the Middle East, India, and Mediterranean countries, are relationship first, hierarchical, and often emotionally expressive.
- **Reactive cultures**, prevalent across much of Asia, are listening oriented, consensus driven, relationship centered, and less confrontational.

BRAZIL: RELATIONSHIPS FIRST

Lack of punctuality is a fact of life, so be flexible about your counterpart's (lack of) punctuality when it comes to meetings. While punctuality may be flexible, relationships are not. Negotiations require patience and often multiple meetings. Direct, aggressive tactics can backfire. Franchisors who arrive with rigid timelines and transactional expectations often interpret Brazilian negotiation style as disorganization. In reality, it is how they do due diligence. Trust precedes contract.

CHINA: EVERYTHING IS NEGOTIABLE

In China, punctuality is respected, but Americans are often viewed as impatient. Negotiations can extend longer than expected, sometimes deliberately, as part of the leverage dynamic. Everything is negotiable even after signing. Franchisors who treat contract signature as the end of negotiation are culturally naive. In many cases, negotiation continues as the relationship evolves. Understanding this does not mean conceding control; it means anticipating process and building flexibility into the partnership. Realize that culturally, once your license agreement is signed, the Chinese side will start wanting to renegotiate the terms.

INDIA: PERSONAL AND HIERARCHICAL

Indians appreciate punctuality but do not always practice it themselves! In India, networking and personal relationships are central to doing business successfully. Decisions often come from the top. Negotiations are less hurried than in the U.S., and bargaining is culturally embedded in the commercial fabric. Reaching decision-makers directly, investing time in relationship building, and avoiding artificial urgency are essential. The fastest way to lose momentum in India is to assume American-style urgency translates. It doesn't work and can kill a deal.

THE MIDDLE EAST: HOSPITALITY

Relationships must come first. Trust and personal connections matter more than contracts. In



much of the Middle East, business is relationship driven and hierarchical. First meetings may focus largely on getting to know one another. Family background, shared experiences, and mutual connections matter. Hospitality (accepting coffee or tea) is not optional etiquette. It is relationship building. Contracts matter, but personal trust matters more. And there are clear lines that should never be crossed; politics and religion should not enter business discussions. Cultural awareness here is not politeness. It is strategy.

CATERING TO TASTES

Food and beverage franchise brands that scale globally learn quickly that menus are cultural documents. India requires sensitivity to beef consumption. The Philippines often expects pasta offerings in quick-service formats. The Caribbean favors chicken. Japan trends lower in dairy and salt. Middle Eastern markets require halal compliance. Europe frequently has deeply rooted food traditions that resist overt standardization. Exporting an American menu without thoughtful adaptation is rarely sustainable. Global leaders do not simply export. They adapt while protecting their core brand identity.

NO-NO'S MATTER

Small gestures can signal respect or ignorance. Arriving late for meetings in Germany communicates disrespect. Giving a clock in China evokes funerals. Using the left hand improperly in parts of India and Indonesia can be offensive. Showing the soles of your shoes in the Middle East is deeply disrespectful. Refusing Turkish coffee in Istanbul signals relational indifference. Bringing white flowers to dinner in Japan is a no-no as they are a sign of death.

These details may appear minor. They are not. They are cultural signals, and signals build, or erode, trust, which can make all the difference when you are trying to get a country license agreement signed.

WHAT IS NOT SAID

Culture influences not only what is said but what is left unsaid. In some cultures, direct disagreement is normal. Nodding yes often just means they understand what you are saying, not that they agree with you. In others, silence signals resistance. In high-context cultures, body language and tone may carry more meaning than words.

Franchisors must continuously ask clarifying questions, confirm agreements in writing, read nonverbal signals carefully, and understand hierarchy before assuming consensus. Often, what is not said in a meeting is more important than what is.

BOTTOM LINE

Franchising, perhaps more than any other growth model, depends on local partnership and understanding. And partnership depends on cultural fluency. You can have the best brand, the strongest financial model, and the most compelling growth strategy. But if you ignore how people in a country build trust, make decisions, and define respect, you will eventually pay for that oversight. Culture is not a courtesy variable; it is a performance variable. If you ignore it, you will pay for it. If you respect it, you will succeed in expanding your franchise into new countries and cultures. ■

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