

COMMUNICATION CHALLENGES AND COPING STRATEGIES IN MULTINATIONAL CORPORATIONS

a comparison of Spain and the UK

Wang Minghao 2229792
BMBM6021 International Business Communications

Contents

Introduction.....	3
Main body.....	3
Different situations.....	3
Structure of Business in Spain.....	5
Level of Technology.....	5
Government restriction.....	7
Cultural Business Customs.....	8
Communication styles – Hall’s high and low context.....	10
Specific Communication Situations.....	11
Conclusion&Recommendations.....	12
References.....	14

Introduction

Select country-Spain

This article aims to understand the communication scenarios that occur in real international business situations. It takes on the role of a multinational corporation and analyzes the different situations that may arise when entering another market, examining the communication issues that may arise in various scenarios, such as exploring the legal requirements for entering a new market. This requires effective communication between company employees and local legal advisory teams to ensure that international business can proceed smoothly thereafter. Subsequently, in the context of raw material procurement, it is speculated that in communication with local suppliers, procurement management professionals need to research the optimal suppliers in the local market and control costs, which may involve international negotiations. During this process, procurement officers must understand the cultural customs and backgrounds of the counterparts and balance considerations of interests and reputation to facilitate cooperation.

Following this, we compared the cultural levels, citizen preferences, and language systems of the UK and Spain using Hofstede's Six Dimensions theory model and Hall's high and low context theory model. By analyzing the score indices of different countries in each model, we understand the cultural differences between the UK and Spain, facilitating better cross-border communication between these two countries.

Introduction to Spain

Spain is a developed capitalist country with a land area of 506,000 square kilometers. It is the second-largest country in the EU and is also a member of the EU

and NATO. During the Renaissance, the Spanish Empire became the most powerful country in Europe and influenced the global empire. In the early 19th century, it gradually declined due to wars and internal instability. Today, Spain is the world's thirteenth-largest economy and is also an important tourist destination and cultural center.

Main Body

Different situations

To comprehensively assess the scenarios requiring communication in international business, we can analyze the processes by adopting the role of a multinational corporation. For instance, examining the establishment of a subsidiary in Spain by the Inditex parent company, when expanding into new markets, it is crucial to first understand the legal, regulatory, and compliance requirements of the new market. Effective communication with local legal advisors is necessary to ensure compliance with local laws and regulations, allowing the business to operate legitimately.

Subsequent to legal considerations is communication with local suppliers. In such cases, procurement professionals (buyers) play a crucial role in managing the entire procurement and supply management process (Choi, T., 2022). To secure optimal materials in international markets, procurement personnel must control costs, involving international negotiations. Buyers need to understand the counterpart's background and cultural customs, such as their emphasis on interests or reputation.

During the bargaining process, buyers must present reasonable plans to negotiate prices successfully (Oncken, W., Jr., & Wass, D. L., 1988), fostering collaboration.

Moreover, effective communication between representatives of the company and clients is essential in the daily operations of international business. This includes staying updated on client requirements to provide timely product or service information. These examples highlight the need for effective communication in different scenarios of international business.

Of course, various communication failures may occur in the situations mentioned above, impacting the health and development of business relationships. For instance, language barriers, a common cause of communication failure, can lead to misunderstandings and inappropriate reactions between members with different native languages or when using languages not commonly shared as working languages. In procurement cases, differences in cultural approaches to pricing or communication styles may lead to misunderstandings, affecting negotiations involving various factors like delivery times, payment conditions, or product quality (Info Entrepreneurs, n.d.). Any minor communication issue can result in significant losses, emphasizing the importance of effective communication management and cross-cultural communication skills in international business.

Structure of Business in Spain

In the country chosen for this study, Spain, the majority of new companies adopt the structure of a Limited Liability Company (SL). The process is streamlined through an

automated platform called CIRCE, simplifying the creation of limited liability companies with standard bylaws. Initially enacted in 2003, the law referred to as SLNE (Strong Abogados, n.d.), SL is analogous to the "Limited Company" in the UK or "LLC" in the United States. The benefits of this structure include simplicity in financial matters, allowing operators to apply for "simplified accounting" during the initial three years. Additionally, the flexibility of updating company bylaws in alignment with the latest legal regulations ensures the legitimacy of strategic deployments, mitigating potential legal risks due to policy changes.

Level of Technology

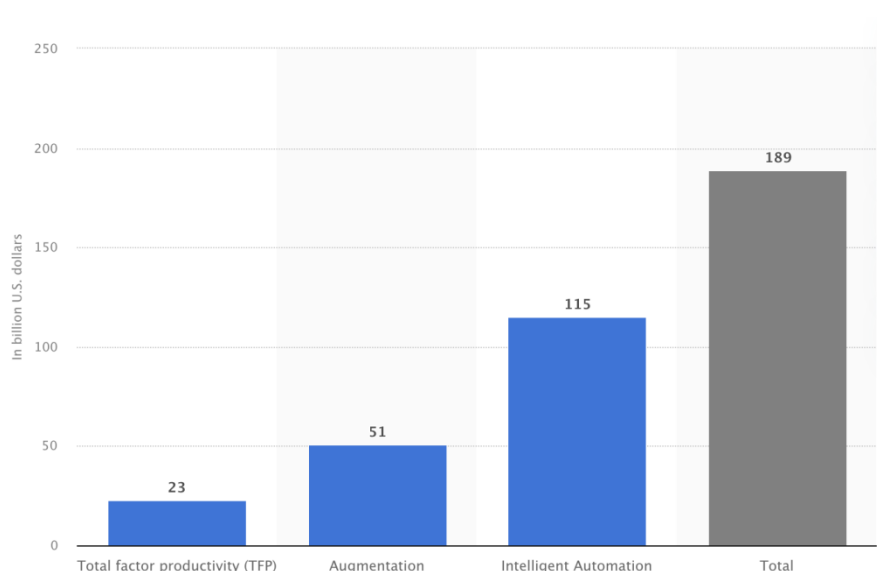
The ICT industry has been one of the fastest-growing sectors in Spain over the past decade (U.S. Department of Commerce, 2022, July 29). Particularly after experiencing global pandemic-related lockdowns, the Spanish government perceives digital transformation as favorable for national development. Specific strategic plans have been formulated, promoting critical technologies such as 5G, cybersecurity, big data, and artificial intelligence, which are essential for Spain. The commitment to digital transformation serves as leverage for economic transition, fostering economic recovery through technological innovation.

Impacted by the transformative changes, Spain is positioned to receive substantial investment benefits from recovery and resilience plans. Data indicates that between 2021 and 2026, Spain is expected to receive an investment of up to 140 billion euros, with 23.1% allocated for the modernization and digitization of industries, small and medium enterprises, and the tourism sector, as well as promoting entrepreneurial spirit in Spain (Vázquez, A., 2023). The statistical data in the chart below illustrates the estimated growth of total Gross Value Added (GVA) in Spain's economy with the

integration of artificial intelligence (AI) by 2035. The baseline GVA in 2035 is projected at 16.74 trillion USD, with an expected addition of 189 billion USD through AI (Statista, 2022), indicating future trends in technology and profit models resulting from technological innovation.

Increase of the gross value added (GVA) upon the absorption of artificial intelligence (AI) into the economy in Spain in 2035

(in billion U.S. dollars)



Government restriction

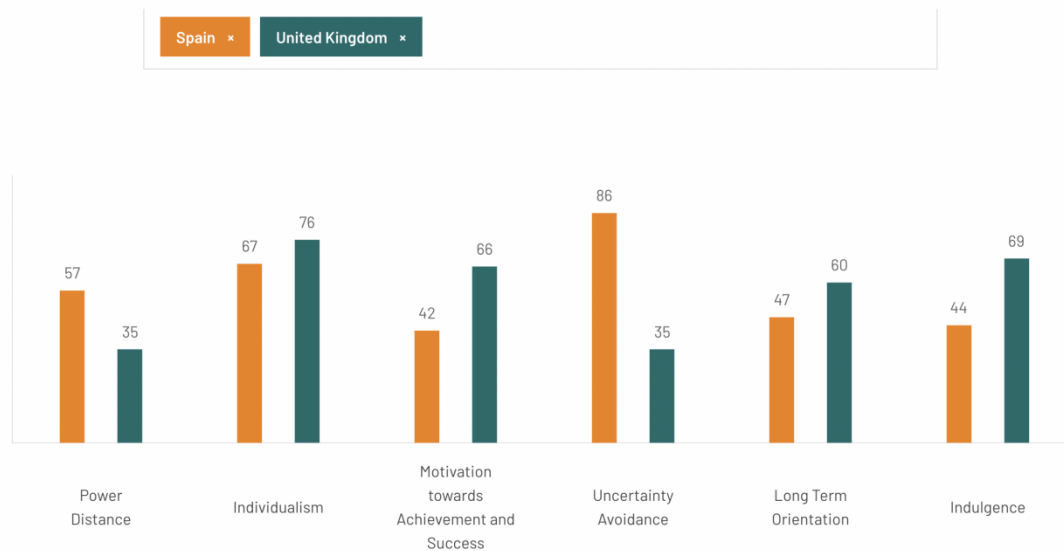
Since the enactment of Royal Decrees 34/2020 and 20/2022 by the Spanish government, mergers and acquisitions (M&A) transactions in the country require government approval (López-Ibor Abogados, 2023), unlike the relatively lenient legal environment before the new legislation. Currently, foreign investors must obtain official approval before proceeding with acquisitions of 10% or more of a Spanish company's capital or control. This has significantly impacted third-country investors seeking to invest in the Spanish market, as well as investors from other EU member states, leading to delays or cancellations of many potential M&A deals.

The Spanish government has provided reasons for these regulations, citing several factors. Firstly, the global pandemic has destabilized Spain's economic environment, necessitating the maximization of the domestic market's economic stability to prevent the deterioration of local businesses and loss of international competitiveness (Baker McKenzie, 2022). Secondly, geopolitical tensions, influenced by the Russia-Ukraine conflict, have heightened global instability, leading to the emergence of malevolent actors in capitalist markets. Thus, the government enacted legislation to help local companies identify and protect themselves from these malicious forces, ensuring their security and operations (Legalink, 2023). Lastly, the government mentioned the impacts of supply chain disruptions and financial market instability on this legislation.

However, apart from the mentioned factors, there are other reasons, including the decline in Spanish stock market prices, posing a threat of acquisition to aggressive investors and funds seeking to control the largest companies in the Spanish economy at low prices. Nevertheless, the horizontal restrictions imposed by the new legislation are temporary and will be lifted after December 31, 2024. As journalist Martín Wolf puts it, this means that the "financial oligarchy" closely associated with political institutions remains protected.

Cultural Business Customs

The chart below compares the UK and Spain markets using Hofstede's Six Dimensions theory (Hofstede Insights, 2024).



The first dimension is PDI scores, which indicate the degree of inequality accepted and prevalent between individuals with power and those without.

From the actual data, Spain has a PDI score of 57, higher than the UK's 35, close to a ratio of two to one. This suggests that in Spanish society, people are more accustomed to accepting such unequal, hierarchical power distribution, and they are clearly aware of their "position" within the system. On the other hand, the British tend to accept shared and widely dispersed rights, pursuing freedom of action and obedience to their will, delaying assigned tasks because they generally have more confidence in their abilities and are more willing to trust their own judgment.

The level of national education between Spain and the UK also reflects this point. Among Spaniards aged 25 to 34, nearly half have received higher education, and the enrollment rate for the population aged 15 to 19 is 87.9% (2021 data), which is 6.1 percentage points higher than ten years ago. In the UK, it is estimated that 83.1% of adults aged 19 to 64 have a National Qualifications Framework (NQF) Level 2 (UK.GOV, 2023). However, from the numerical proportions, the percentage of British citizens receiving higher education is much higher than that of Spain, which indirectly

proves the logic of the PDI index. Citizens who have received more higher education tend to pursue more freedom and ideal career planning.

The second dimension, IDV, refers to the strength of individuals' connections with others in the community. A high IDV indicates weak connections between people, with individuals lacking a strong sense of belonging to groups and tending more towards individualism and heroism, where a strong community does not bring them much sense of achievement (International Business Center, 2023). Spain's IDV score is lower than that of the UK. This means that more Spanish citizens tend towards collectivism. Marketing activities in the market may be promoted and accepted if they make the audience feel supported by their group and emphasize the strength of the community.

The third dimension, MAS, indicates a stronger sense of self-awareness among citizens with a high MAS, where their pride and importance mainly stem from their class status and level of personal achievement in the current social environment, such as their wealth and personal achievements. British citizens have a higher level of MAS, meaning that the underlying logic of national class differentiation lies in the citizens' strong self-awareness.

The fourth dimension is UAI, which describes people's ability to cope with anxiety. Countries with low UAI scores enjoy a more relaxed life, with more open or tolerant relationships between people. Compared to Spain, British citizens are more tolerant and better able to cope with national turbulence, hence the faster economic recovery in the UK after the pandemic (Hoggan, K, 2023).

The fifth dimension, PRA, refers to the different levels of performance people exhibit in the social cycle. Long-term oriented countries are often pragmatic, humble, and

thrifty. As a short-term oriented country, Spaniards tend to focus more on principles, consistency, and truth, with typical tendencies towards religion and nationalism.

Hofstede's sixth dimension is IVR, where countries with high IVR scores allow or encourage people to relatively freely satisfy their motivations and emotions, such as enjoying life and having fun. This indicates a more pessimistic lifestyle among Spanish citizens.

Communication styles — Hall's high and low context

Hall proposed that cultures could be identified based on the type of information preferred by members of a specific culture (Hall, E. T. 1976). According to this theoretical model, when individuals from low-context cultures insist on providing information that high-context individuals do not need, the latter may easily become impatient and annoyed. Conversely, when high-context individuals fail to provide enough information, low-context individuals may feel confused. In such cases, misunderstandings and dissatisfaction may arise, hindering effective information exchange and understanding (Ajzen, I. 1991). According to Hall's theory of high and low context, there are some differences in cultural traditions and communication styles between Spain and the UK. Spain is considered a high-context culture (Meddeas, n.d.), which means that non-verbal elements such as body language, facial expressions, and tone of voice, as well as contextual information, play a significant role in communication. Spaniards tend to use implications, metaphors, and indirect expressions to convey information rather than stating it directly. Their cultural tradition emphasizes interpersonal relationships, family, and social activities. Therefore, personal relationships and emotional factors are often more important

than facts and logic when Spaniards communicate (Trip2Madrid, 2021). Additionally, they often prefer to express emotions during communication.

On the other hand, the UK is considered a low-context culture (Global Reputation Management, 2014), which means that the literal meaning of words is more important in British communication. They tend to express their opinions and needs directly and clearly (Tabata, N., & Vrij, A. 2022). For example, they prefer straightforward communication and avoid using too many metaphors and analogies. They may be more inclined to convey information through written or verbal means rather than relying on non-verbal elements.

Specific Communication Situations

In a specific case, Company A had expanded into a large new factory, and the old warehouse needed to be sold. The procurement officer estimated its value at 30 million RMB, but the seller initially quoted 33 million RMB. After receiving only one response with a bid of 9 million, Company A reluctantly accepted the offer. However, the procurement officer abandoned the negotiation at the last moment over a few thousand yuan for old equipment, leading to the deal falling apart. In such a scenario, it's essential for the procurement officer to remain composed and focus on the outcome rather than getting emotional. While the buyer's dishonesty and lack of integrity may evoke strong emotions, it's crucial to handle the situation calmly and rationally to achieve successful negotiation.

Conclusion and Recommendations

This article thoroughly explores various communication scenarios in international business and provides examples of different situations faced by multinational

companies like Spain's Inditex in international trade. From communicating legal requirements in new markets to procurement needs with suppliers and pricing strategies, the importance of effective communication in various contexts of international business is highlighted. Additionally, potential reasons for communication failures, such as language barriers and cultural differences, and their negative impacts on business relationships are discussed.

Furthermore, the article analyzes secondary data to provide a deeper understanding of factors such as Spain's business structure, technological level, government restrictions, etc. As a rapidly developing economy, Spain's future development relies heavily on digital transformation and technological innovation. However, government restrictions on M&A transactions and cultural differences pose challenges for international companies in marketing and operating in the Spanish market.

Based on Hofstede's cultural dimension theory and Hall's high and low context theory, the article compares the cultural characteristics and communication styles that citizens of Spain and the UK need to understand in their daily lives and business contexts. In conclusion, for multinational enterprises to succeed in international business, they must maintain an understanding of different national cultures, lay the foundation for effective communication, identify and mitigate factors that may lead to communication failures through risk analysis, and take measures to avoid or resolve these issues. It is recommended that companies enhance cross-cultural communication skills through training when expanding into international markets, establish trust with local partners, and utilize technological tools to improve

communication efficiency. Additionally, it is essential for multinational enterprises to hire professionals to navigate cultural barriers when entering new markets and regularly evaluate and adjust their communication strategies to adapt to the evolving international business environment, ensuring good business relationships and sustained success.

Reference

- [1].Choi, T. M., & Shi, X. (2022). Reducing supply risks by supply guarantee deposit payments in the fashion industry in the “new normal after COVID-19”. *Omega*, 109, 102605.(Accessed: 20 February 2024).
- [2].Strong Abogados. (n.d.). Business. Retrieved from <https://www.strongabogados.com/business.php>(Accessed: 20 February 2024).
- [3].Info Entrepreneurs. (n.d). Negotiate the right deal with suppliers. Retrieved from <https://www.infoentrepreneurs.org/en/guides/negotiate-the-right-deal-with-suppliers/#:~:text=Negotiating%20on%20price,-Some%20price%20negotiating&text=Never%20accept%20the%20first%20offer,suspiciously%20low%2C%20ask%20yourself%20why.>(Accessed: 20 February 2024).
- [4].Vázquez, A. (2023). Information and Communication Technologies (ICT) in Spain. Invest in Spain. Retrieved from <https://www.investinspain.org/en/industries/ict>(Accessed: 20 February 2024).

[5].Oncken, W., Jr., & Wass, D. L. (1988, November). Negotiating with a Customer You Can't Afford to Lose. Harvard Business Review. Retrieved from <https://hbr.org/1988/11/negotiating-with-a-customer-you-cant-afford-to-lose>(Accessed: 20 February 2024).

[6].U.S. Department of Commerce. (2022, July 29). Spain - Information and Communication Technology (ICT). Retrieved from <https://www.trade.gov/country-commercial-guides/spain-information-and-communication-technology-ict>(Accessed: 20 February 2024).

[7].Statista. (2022). Impact of artificial intelligence on GVA in Spain 2035. Retrieved from <https://www.statista.com/statistics/624503/impact-of-artificial-intelligence-on-gva-in-spain-2035/>(Accessed: 20 February 2024).

[8].López-Ibor Abogados. (2023, March 8). Government restrictions on M&A in Spain. Retrieved from <https://www.lexology.com/commentary/corporate-finance/spain/lpez-ibor-abogados/government-restrictions-on-ma-in-spain>(Accessed: 20 February 2024).

[9].Baker McKenzie. (2022). Quick Reference Guide: Spain. Retrieved from <https://resourcehub.bakermckenzie.com/en/resources/global-private-ma-guide-limited/emea/spain/topics/quick-reference-guide#:~:text=Antitrust%2Fmerger%20control,consider%20EU%20merger%20control%20rules.>(Accessed: 20 February 2024).

[10].Legalink. (2023). Government restrictions to M&A in Spain. Retrieved from <https://www.legalink.ch/groups/newsletter-articles/government-restrictions-to-ma-in-spain/3168/>(Accessed: 20 February 2024).

[11].Triandis, H. C. (2004). The many dimensions of culture. Academy of Management

Executive, 18, 88-93.

[12].Hofstede Insights. (2024). Country Comparison Tool. Retrieved from <https://www.hofstede-insights.com/country-comparison-tool?countries=spain%2Cunited+kingdom>

[13].Mind Tools. (n.d.). Hofstede's Cultural Dimensions. Retrieved from <https://www.mindtools.com/a1ecvyx/hofstedes-cultural-dimensions>

[14].La Moncloa. (2023, September 12). Almost half of Spaniards aged 25-34 have tertiary education, above the OECD average . Retrieved from https://www.lamoncloa.gob.es/lang/en/gobierno/news/Paginas/2023/20230912_schooling.aspx#:~:text=Almost%20half%20of%20Spaniards%20aged,Education%20at%20a%20Glance%202023

[15].Education and training statistics for the UK. (2023) . Explore Education Statistics. Retrieved from <https://explore-education-statistics.service.gov.uk/find-statistics/education-and-training-statistics-for-the-uk>

- [16].International Business Center. (2023). Hofstede Insights - United States. Retrieved from https://internationalbusinesscenter.org/geert-hofstede/hofstede_united_states.shtml
- [17].Hoggan, K., & Islam, F. (2023, September 1). UK economy made stronger recovery during Covid. BBC News. Retrieved from <https://www.bbc.com/news/business-66680188>
- [18].Hall, E. T. (1976). Beyond culture. Anchor.
- [19].Ajzen, I. (1991). The theory of planned behavior. *Organizational behavior and human decision processes*, 50(2), 179-211.
- [20].Ye, N., Teng, L., Yu, Y., & Wang, Y. (2015). “What's in it for me?”: The effect of donation outcomes on donation behavior. *Journal of Business Research*, 68(3), 480-486.
- [21].Country Navigator. (n.d.). What are the Differences Between High-Context and Low-Context Cultures? Retrieved from <https://www.countrynavigator.com/blog/what-are-the-differences-between-high-context-and-low-context-cultures/>
- [22].Global Reputation Management. (2014, March 5). Cultural Metrics: The United Kingdom. Retrieved from <https://globalreputationmanagement.wordpress.com/2014/03/05/cultural-metrics-the-united-kingdom/>
- [23].Tabata, N., & Vrij, A. (2022). Differences between Japanese and British participants in self-reported verbal strategies to appear convincing. *Psychiatry, psychology, and law : an interdisciplinary journal of the Australian and New Zealand Association of Psychiatry, Psychology and Law*, 30(2), 177–191. <https://doi.org/10.1080/13218719.2021.2003269>
- [24].Trip2Madrid. (2021) 'Spanish Context', UWW Blogs, Available at: <https://blogs.uww.edu/trip2madrid/2021/04/05/spanish-context/> (Accessed: 20 February 2024).
- [25].Meddeas. (n.d.). Intercultural Communication in Action. Retrieved from <https://meddeas.com/initial-shock/intercultural-communication-in-action/>