

**When in Rome, Beijing or Brussels:
Cultural Considerations of International Business Communication**

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Acknowledgements

To my family, for their continued support,
no matter what continent I'm on

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CHAPTER ONE: Introduction

Globalization and the Rise of Multinational Corporations

Even before the Dutch sailed to the East Indies or Marco Polo traveled to China, people have been interacting with other cultures in numerous ways, many of them for economic reasons. One would imagine it was quite difficult initially for these people to communicate and do business with each other, but even today obstacles in international business still exist. Although our world has certainly become much smaller in the last several centuries, cultural and geographical contexts still play a large part in shaping different societies and their methods of interaction with others.

The term “globalization” is one heard of quite often in today’s world, particularly in economic terms, referring to the expansion of free market capitalism. There are many other aspects that fit into the globalization process, ranging from political to social to technological, that are a part of this increasing interconnectivity of people around the world. Thomas Friedman, journalist for *The New York Times* and a popular scholar of globalization, breaks it down simply into three main time periods. The first of these began with the exploration of the New World followed by the development of the nation-state, as business between different parts of the world was organized and determined by the strength of entire countries. Friedman (2005) describes this period of time as “Globalization 1.0,” when the units of interaction were primarily these countries. More recently, following the industrial revolution and innovations in transportation and communication, the units of international interaction became multinational corporations who were finding materials, labor, as well as clients in countries outside their own.

Friedman calls this period “Globalization 2.0.” This has been the period most familiar to people today, although in just the last several years, we have entered “Globalization 3.0,” where interaction across nations can exist at the individual level and occur instantaneously (this will be addressed later).

There are two types of theories on the effect that globalization has had on the world. The first is that of convergence, in which some degree of “universalization and homogeneity” results, as the differences that do exist are overshadowed by the similarities that are growing among countries (Lee, 2005, p. 15). This is countered by the idea of divergence, which represents a drive to retain the unique qualities of individual cultures in the face of a globalized world. It would seem that although many similarities exist throughout the world, thanks to new technology as well as the spread of American culture, it would be naïve or perhaps even arrogant to believe that the world’s population is becoming truly homogenous. McLuhan’s “global village” idea means we are all in contact with one another, essentially neighbors, but it has certainly not meant that we have become fundamentally alike. Instead, globalization has “promoted diversity in interests, demands and values” (Sparks-Fitzgerald & Spagnolia, 1999, p. 12).

In the case of multinational companies doing business around the world, this certainly has implications for marketing to and communicating with consumers in different countries. Of course, the issue of culture has long been a factor. As communication scholar Alfred G. Smith proclaimed, “communication and culture are inseparable” (as quoted in Zaharna, 2000, p. 86), since the way we as human beings communicate is inherently tied to the culture in which we were raised. This has not been lost on those who are involved in international business, in which communicating to

business partners, clients and potential customers can be a complicated task. This seems to be especially true for American companies, who tend to assume that their business models, which are highly successful in the U.S., will be equally successful when transferred to another country. Cushman and King, however, suggest that “cultural settings not only determine much of behavior, but also require varying avenues for success within the diverse environments” (as cited in Packman & Casmir, 1999, p. 475). Thus, due to cultural differences, one cannot take for granted that practices in one country will bring about the same results in another.

Considerations from the Field of Intercultural Communication

Although it has been noted that the field of intercultural communication has focused more on “describing and defining specific instances” than actually generating any type of theory (Casmir & Asuncion-Lande, as quoted in Packman & Casmir, 1999, p. 474), its study can help to better understand the cultural contexts of business. Some brief basics will be introduced here. To begin with, Zaharna (2001) describes two sets of differences to be considered in reaching global publics: national and cultural. National differences include: the political structure, particularly the hierarchy of decision-making and power; the economic structure, with such issues as the existence of a free market system; the state of the mass media, in particular the level of technological development, but also in terms of ownership and reach; the infrastructure, both in transportation and communication, taking technological development into account; the legal structure, which determines what kind of behavior is allowed; and finally the social structure, which takes demographics into account.

Zaharna (2001) notes that understanding national differences offers an indication of what is “feasible” when operating in another country, but only by understanding cultural differences can a corporation have an idea of what might be “effective” in that country (p. 139). Scholars of intercultural communication have looked deeply into this issue of cultural differences and discovered several prominent distinctions. First of all, Edward T. Hall made the division into high-context and low-context cultures, depending on how much of the meaning of the communication message is placed in the external context of the message rather than explicitly in the message itself (Zaharna, 2001). There are also several distinctions that involve the concept of time. One of these, noted by Hall, is the split between monochronic cultures, who plan for events to happen one at a time, and polychronic cultures, who seem to be involved in a number of activities at the same time. Florence Kluckhohn studied the split between activity-oriented cultures, who focus on working toward measurable achievements, and being-oriented cultures, who place more importance on a person’s origins and status than what he or she actually does. Kluckhohn also made a division between future-oriented cultures, who believe in the importance of constant innovation, and past-oriented cultures, for whom tradition and historical contexts are of great significance (Zaharna, 2001). A further consideration of time was made by Dorothy Lee, who noted differences in linear cultures, who believe in an organized start and end for events, and non-linear cultures, where organization can seem to be random or even cyclical (Zaharna, 2001).

Another intercultural scholar, Geert Hofstede, devised five dimensions that further divide cultures. One of these is power distance, which focuses on the acceptance of inequality of power and authority as part of a culture; the greater the distance, the more

natural the social hierarchy seems. Many Asian countries have a high power distance, while clearly for Western countries like the U.S. it is quite low. Another dimension is that of an individualist versus a collectivistic attitude, where identity and value are based either within one person or within a larger social system, where the concept of “face” is of high importance (de Mooij, 1998, p. 75). Cultures are further divided by the dimension of masculinity versus femininity, between those societies that value success and accomplishments and those that value the well being of others above all. Another dimension is that of uncertainty avoidance, which is determined by how much a society is made uneasy by a lack of predictability or clarity and how important strict rules and structure are. Finally, the fifth dimension is that of long-term versus short-term orientation, with long-term oriented cultures looking toward the future with a more pragmatic and prudent attitude (de Mooij, 1998).

Clearly, there are many differences to consider, and there is no set list to consult for comparing any given culture. It is obvious, however, that some of these different values can make typical business models difficult to employ in other countries. Some companies have pushed for “the placement of resources and decision-making authority in local markets, where local communicators best understand the needs of their audiences” (Stohl, as cited in Lee, 2005, p. 15), while others may use local consultants. No matter how strong a corporation is, however, if it does not understand the basics of intercultural communication or chooses to ignore them, it can find itself in serious trouble when things go awry and it needs to inform and reassure its various publics, which in today’s world often span a number of different cultures and even continents.

Product Recalls

This thesis will examine two case studies of corporations that experienced a crisis on the international stage where a main problem was dealing with international publics. The first of these will focus on a crisis that appears in the form of a product recall. Product recalls are cause for anxiety for any business, due to their frequent occurrence, their potential for devastating ramifications, and their requirement of comprehensive involvement from public relations professionals (Gibson, 1995). Recalls can involve enormous costs for a company, and obviously preventing the need for one is the optimal strategy, but it is rarely a completely realistic one. Recalls thus provide a very important role for crisis communication officials, as there is a need to quickly inform the public but also to make sure that the company's image does not suffer for it. As German risk consultant Robin S. Socha explains, "a company has to draw a line...it has to take care of its business and protect its clients at the same time" (Andrews, 1999, p. 4). The best strategy is to have a recall plan already in place, so that when the event happens it can run as smoothly as possible. Smith, Thomas and Quelch (1996) suggest that such a plan should actually be a "reverse-marketing plan" where "customer satisfaction and other marketing goals remain paramount" (p. 105). The only difference is that instead of providing the consumer or retailer with a product, the company is taking it away.

Sometimes such crises can be managed so well that they actually result in unforeseen benefits for a company; for example, Saturn and Inuit both "reacted strategically" to their own product recalls, "focusing on long-term marketing implications," and were able to maintain and even strengthen relationships with their customers (Smith et al., 1996, p. 104). However this is more often the case with small-

scale recalls; any recall that involves serious harm or death to consumers can assure a more difficult and unpredictable road ahead for an organization. In cases where the possibility for public harm is high, it is imperative to make a decision of whether to enact a recall as soon as possible. However, making a recall too soon might “give credibility to an unsubstantiated charge” (Smith et al., 1996, p. 106). Pepsi successfully avoided doing this during its syringe hoax, but Audi, on the other hand, recalled over 100,000 cars to fix a problem that turned out to be caused by driver error, not mechanical error, and the company suffered a two-thirds reduction in sales, increased levels of model depreciation, as well as a slew of negative publicity (Smith et al., 1996). There is also the problem that a recall will imply liability and result in an influx of lawsuits against the company, while product regulators may step in as well to add to a company’s woes. Meanwhile, competitors may take advantage of the situation to try and gain market share, and it will be difficult to reintroduce the recalled product to the market as a result (Smith et al., 1996). Even more so, the difficulty will arise from the damage done to the brand’s image by the way a recall can “shatter consumer confidence” as well as “disrupt channel and supplier relationships” (Smith et al., 1996, p. 112). At the same time, however, failure or serious delay of a needed recall could exacerbate all of these factors to an even greater extent.

The problems faced by a corporation during a product recall can certainly multiply when the recall occurs outside of that company’s home country, a situation that has now become quite possible in today’s age of multinationals and global markets. Aside from the aforementioned national and cultural differences, American companies also face the added hurdle of being seen as cultural imperialists, which can stir up

nationalist sentiment. If not properly understood, these differences can have disastrous consequences for a corporation.

Larry Foster, former head of PR for Johnson & Johnson, notes that “the international realm is by far ‘the most difficult to manage...it is more complex, more unpredictable, and generates more risk than most domestic-based public relations programs” (as quoted in Wakefield, 2000, p. 63). While for many firms public relations is only an arm of the marketing division, Wakefield stresses the need to develop an “outside-in” focus that views the organization “from the perspective of the various publics, then respond[s] to those views in an appropriate manner” (2000, p. 63). This requires that the public relations division be uncoupled from marketing and instead linked to management, with open interaction between all its parts. Because as this first case study will show, those companies whose public relations divisions do not adequately address global considerations can face a much steeper road ahead when a crisis hits.

Marketing Mistakes

The second case study will examine a crisis resulting from a flawed marketing plan. New marketing plans are being created everyday for the multitude of companies in the world who need consumers to purchase their products and services. Much research, of course, must go into these plans so that these companies can reach and inform the proper segments of the market. This research is not limited simply to consumers and their behavior but should extend to a host of external factors including the political climate, the shape of the economy, and social trends. When companies decide to launch international marketing efforts, this research becomes even more important due to the many national

and cultural differences that exist. Packman and Casmir (1999) stress the need for a “cautious, and sometimes time-consuming process that should begin prior to entering another culture,” recommending a “‘steady as she goes’ approach” (p. 486).

Of course, mistakes can never be one hundred percent unavoidable, due to changing conditions in the world, but often they can be attributed to errors in judgment as well. In hindsight, many mistakes seem as if they should have been obvious, and in the realm of international marketing there are several notable cases of this. Chevrolet introduced the Nova model to Mexico, where that name means “does not go;” similarly, Ford brought the Feira truck into the Latin American market, where the name translates to “ugly old woman” (Herbig, 1998, p. 3, 37). Betty Crocker tried to enter the British cake mix market with American-style fancy cakes mixes and frosting, but the British like dryer, spongier cake that goes with tea (Herbig, 1998).

In international marketing, errors can also occur because of ethnocentrism, where a company assumes that its ways of doing things are superior to those of other cultures. One such example is Federal Express’ expansion to Europe, where all its materials were printed in English and it kept its schedules tailored to the American workday, despite the variation in hours worked by Europeans (Herbig, 1998). Many companies have learned to avoid this behavior, instead customizing their offerings for different countries. Tyson Foods has adapted thousands of products to meet the local demand of over fifty countries; Levi’s jeans leaves the marketing decisions to local managers in each country, so that its ads differ from place to place and can connect more directly with local consumers (Herbig, 1998).

In the field of marketing, Hartley (2001) identifies two types of mistakes that professionals make. The first are mistakes of omission, where a conservative management holds on to the status quo while the market environment changes around it. The second type are mistakes of commission, which include poor decision-making and usually have visible costs associated with them. The one benefit of mistakes is that they can act as learning experiences, so that the same mistake will not be made again in the future. Of course, a company must still look out for potential new mistakes and be able to take swift corrective action after discovering the root cause of any new problem (Hartley, 2001). Complacency with present success can create a false sense of security, leading to mistakes of omission, and can even foster an attitude of arrogance or superiority that can make mistakes of commission harder to foresee. This is indeed a precarious situation, for as this second study will observe, when a corporation combines mistakes of both omission and commission, the effect on its business can be devastating, and recovery becomes quite difficult.

Looking Ahead

This paper will conclude by suggesting some trends that exist now and will persist in the future in the field of international business communication, using the company Google as an example. There is no doubt that everything done in the world today can be viewed in a larger global context, and this is particularly true for business activities. Harris Diamond, CEO of the international public relations firm Weber Shandwick, suggests that “companies need to make their brands relevant in ways that are faithful to the core attributes of the brand, yet flexible enough to accommodate diverse trading

patterns, differing consumer tastes and behavior, and a variety of businesses, media and political cultures” (2007, paragraph 17). As this paper will demonstrate, a thorough understanding of this global context and a willingness to embrace change are essential for the continued success of any organization operating in today’s world.

Organization of the Thesis

This thesis is divided into five chapters.

Chapter One has introduced the topic and some of the key ideas behind it, as well as some background information for the two case studies examined in the thesis.

Chapter Two will examine a product recall that Coca-Cola struggled with in Belgium, which exhibited an uncharacteristic deviation from the company’s well-known brand marketing brilliance.

Chapter Three will take a look at the problems that Disney encountered as it tried to establish its first theme park in Europe and found itself facing a culture as proud and protective as Disney itself.

Chapter Four will explain some trends in international business communication and suggest what to watch out for in the future, with an analysis of Google in particular.

Finally, Chapter Five, the conclusion, will discuss lessons learned from the case studies and strategies to be used for the future, as well as some final thoughts on globalization’s effect on culture and corporations.

**CHAPTER TWO: Things Go Worse for Coke:
The Coca-Cola Contamination Crisis in Belgium**

The Case of Coca-Cola

Coca-Cola faced an international public relations crisis in Europe in 1999. Schoolchildren in various towns in Belgium were turning up sick after drinking Coke products, and the problem was eventually linked to quality control lapses at two bottling plants in Belgium and France. This resulted in a recall of seventeen million cases of Coke products in several European countries, costing Coca-Cola approximately \$250 million. Meanwhile, the company was criticized for its slow, vague, and unsatisfying explanations of the problem.

The cross-cultural nature of the crisis certainly intensified the situation. Coca-Cola's relations with Europe were strained due to antitrust accusations against the corporation after it had attempted to expand its European operations by merging with several bottling companies in the region, including Cadbury Schweppes and Orangina. Hartley (2001) suggests that these brazen moves not only frustrated European officials but "perhaps motivated them to make life difficult for Coke" (p. 17). Coca-Cola's CEO, Douglas Ivester, who has been described by a coworker as a "'terribly rational' manager" (Smith, Feighan & O'Rourke, 2002, p. 297), did not help matters with his aggressive personality and accountant's view of the world.

The larger contextual background of the crisis also included other contamination scares that had occurred in Europe. Earlier that year, dioxin, a carcinogen, had been found in meat products in Europe and Belgium in particular, and prior to that there was

the threat of mad cow disease. This was still fresh in the European public's minds, and so they were much more sensitive to the contamination crisis of Coca-Cola when it occurred. Similarly, the Belgian government was particularly shaken up by the earlier scares, which were a huge source of embarrassment. Both the prime minister and health minister had been forced to resign, so officials had become extremely wary of such health threats. Because of the criticism that had been heaped on them earlier, officials "were inclined to be overzealous in their dealings with this big U.S. firm" (Hartley, 2001, p. 18).

These issues presented a serious problem for Coca-Cola, which derived twenty-six percent of its \$18 billion in revenues from the European market, where it enjoyed a forty-nine percent market share (Smith et al., 2002, p. 296). Unfortunately, it was not well equipped to handle such an international product recall crisis, and it would soon see those figures drop.

The Early Stages -- Overlooking Problems

In the months before the crisis hit, there were several warning signs that Coca-Cola either failed to notice or ignored, which could have prevented a crisis if they had been dealt with sooner. First of all, the bottling plant that Coca-Cola used in Antwerp had failed to procure certificates of analysis verifying the purity of carbon dioxide from its supplier, which was part of Coca-Cola's procedure. Furthermore, workers from the Antwerp plant had neglected to conduct routine tests of the carbon dioxide after it was pumped into storage tanks, something that was also required by Coca-Cola (Deogun, Hagerty, Stecklow & Johannes, 1999). Whether management of these factories, run by

Coca-Cola Enterprises, Inc. (CCE), knew about these issues or not, they clearly violated Coca-Cola's expected protocol.

One of the biggest signs of trouble that stared the company directly in the face, however, was the report of illness by four men at a bar near Antwerp, which occurred on May 15, less than a month before the crisis hit. These men claimed the symptoms occurred after drinking funny-smelling Cokes, but doctors did not find anything, nor did a government laboratory that took samples from the same batch of Coke. A Coca-Cola spokesman was reported as saying the company had "found no reason to be concerned," and that the situation was "thought to be an anomaly" (Cowell, 1999, p. C1). As such, no further attention was paid to it by either Coca-Cola or Belgian officials.

The Crisis Hits -- Sick Children, Skeptical Officials, Recall

Because Coca-Cola did nothing to react to those warning signs, they escalated into a severe crisis in June of 1999 as over a hundred schoolchildren in different cities began to report symptoms after drinking odd-smelling Coca-Cola products. The first city affected was Bornem, in northern Belgium, where forty-one children fell ill on June 8. Coca-Cola determined the problem stemmed from Coke bottles produced at their Antwerp plant and recalled 100,000 cases—2.5 million bottles—in the next twenty-four hours. Meanwhile it sent a team of scientists to the plant, but nothing was found in any tests of samples. A Coca-Cola spokeswoman in Brussels assured that it was "a quality issue, not a health issue" (Brannigan & Richter, 1999, p. A4). Further comments by Belgian Coca-Cola spokespeople would continue this strategy of denial of health risks, even while children continued to become ill.

On the same day as Bornem, reports came in from nearby Besele of bad-smelling Cokes from a vending machine, though there were no cases of illness. On June 10, however, eight people in Bruges reported becoming sick after drinking Coke. In both of these cases the product was linked to a production plant in Dunkirk, France, close to the border. On June 11, a senior executive from Coca-Cola Enterprises was sent to appease the new health minister Luc Van den Bossche, but during the middle of the meeting there was a phone call reporting that fifteen more people had become ill in Harelbeke after drinking Fanta, a Coke product produced at a plant in Ghent. On June 14, thirty-eight children were rushed to the hospital just hours after a school official had received word from Coca-Cola, via a hotline, that the school's vending machines should be safe as long as they did not contain certain codes on their products. It turned out that Coca-Cola had accidentally given the school an incomplete list of codes. The next day, eight more children became sick in Kortrijk (Deogun et al., 1999).

On June 14, the Belgian government banned the sale of all Coca-Cola products. It had already answered more than 200 calls after setting up a call center for Belgian consumers on June 11. A health ministry spokesman criticized Coca-Cola for not speaking out and for "failing to state 'clearly what was behind the intoxication,'" while Coca-Cola declared itself "mystified" by the government's decision to extend the ban ("Coca-Cola pulled," 1999). Whether it thought the ban was justified or not, Coca-Cola faced the fact that "unlike a voluntary recall... a ban may suggest that regulators believe a company is not taking sufficient steps to protect the public" (Abelson, 1999, p. 2). This view that Coca-Cola was not doing enough to respond to the crisis would continue to

pose problems for the company, because true or not, it followed Benoit's (1997) assertion that in a crisis, perception is stronger than reality.

Geographical Spread of the Crisis

Coca-Cola went on to voluntarily recall all of its products in the Netherlands that had been produced in Belgium as a precaution, while health officials in Luxembourg took action themselves to remove Coca-Cola products in its stores and insist that people not drink them. In Hesse, Germany, officials called for tests on Coke products, even though it was not clear if any of them had been imported from Belgium. However officials from the UK did not take action, thanks to a phone call from Coca-Cola to assure them that none of their batches were those involved ("Coca-Cola pulled," 1999). French consumer affairs minister Marylise Lebranchu, on the other hand, called for a withdrawal of fifty million cans of Coke, due to "Coca-Cola's inability to provide a clear explanation on the traceability of its products" in a prompt manner and skepticism of the company's description of the cause of the problem ("Fifty million cans," 1999).

Phillip Lenfant, the general manager of Coca-Cola Belgium, tried to assure that it was "a purely Belgian problem" ("Coca-Cola health scare still," 1999). The French government, however, later reported eighty cases of complaints of similar symptoms from people in northern France near the Belgian border (Hagerty & Deogun, 1999). Local groups were also taking action themselves; officials in Trier, Germany, confiscated cans with French labels, while cans with English labels were taken in northwest Spain (Andrews, 1999; "Belgian scientists question," 1999). Spain also ordered 390,000 bottles off its shelves even though no problems had been reported and Coca-Cola Espana assured its products were safe. In Switzerland Coca-Cola took a decidedly proactive approach,

exchanging imported cans with customers at no charge (“Coca-Cola health scare widens,” 1999).

The scare spread even further than Europe, as even Saudi Arabia banned imports of any Coke products made in Belgium (Hagerty & Deogun, 1999). The health minister of the Central African Republic also cautioned its people against drinking Coke products (Hagerty & Barrett, 1999a), while officials in Cote d’Ivoire withdrew 50,000 cans from its market (“Coca-Cola gives,” 1999), and Kenya pulled Coca-Cola products from Europe off of its shelves as well (Kielmas, 1999). Coca-Cola’s ambiguous denial and failure to quickly point to the source of the problem had led to widespread disruption of its business.

Coca-Cola’s Action

After the reports of illnesses began, Coca-Cola sent officials from all of its global offices to Brussels to set up a main center of operations. Chief among these was Dr. Anton Amon, senior vice president for product integrity, who brought six technical specialists with him (Hagerty & Deogun, 1999a). After assuring that it had been “working...around the clock” (Deogun & Richter, 1999a, p. B15), on June 15 Coca-Cola finally released the cause of the problem, which was twofold. There was impure carbon dioxide used at the Antwerp plant, later found to be caused by a sulfur compound, and contamination from the fungicide used on wooden pallets at the Dunkirk plant in France. The company claimed these were “identified with absolute certainty” (“Coca-Cola Belgium identifies,” 1999). In addition, as mentioned earlier, these lapses were the result of a failure to comply with Coca-Cola policy, which helped the company in its strategy of shifting some of the blame for the problem onto its bottling plants, although these were

owned by Coca-Cola. However, these explanations were still met with skepticism by many, authorities and consumers alike.

On June 16, Randal Donaldson, Coca-Cola's chief spokesman, arrived in Brussels to lead the effort, declaring the company's desire to "provide as much health and test data as possible to governments" (Hagerty & Deogun, 1999a, p. B1). Coca-Cola's chairman and CEO Douglas Ivester finally released a statement on June 16, over a week after the first case of sick schoolchildren had been reported. He expressed "[deep] regret" for any problems caused and stressed that the company was "taking all the necessary steps to ensure that all [their] products meet the highest quality standards," adding that "nothing less is acceptable... we will not rest until... this job is complete" ("Coca-Cola chairman," 1999). Ivester also appealed to consumers, noting, "our success has been based on the trust that consumers have in [our] quality" ("Coca-Cola chairman," 1999). As part of a strategy of appeasement, Coca-Cola also offered to compensate any customers for medical expenses, contingent upon a medical certificate verifying that a link between the illness and the product was established ("Coke will foot," 1999). However the fact that Ivester had waited so long to speak did not sit well with the public, many of whom were still anxious from previous health crises, and may have reduced the effectiveness of his message.

Just when Coca-Cola thought the Belgian government would decide to lift its ban after much appealing, on June 16 the government announced it would postpone its decision until it had met with health officials from the rest of the European Union (Hagerty & Deogun, 1999a). The next day, however, both Belgium and France relaxed the ban to include only Coca-Cola, Fanta, and Sprite drinks, not any other Coke products.

Belgian health minister Van den Bossche still maintained that Coke's explanation was inadequate, that it could not "explain in a reassuring and satisfactory manner the appearance of these illness symptoms" ("Certain Coca-Cola," 1999).

Ivester did not actually show up in Brussels until June 18, ten days after the first reported illnesses, to work with the crisis management team. As another example of Coca-Cola's strategy to shift the blame onto other parties, Ivester cited the Belgian government as the reason Coca-Cola did not initially reveal much information; he maintained that health minister Van den Bossche did not want the issue "processed in the press" and that Coca-Cola "chose to follow his guidance" (Tomkins, 1999b, p. 3). Naturally, of course, the issue was the source of much interest and speculation by the media, most notably over why Coca-Cola was not giving out any specific information to the concerned public.

Earlier in the week the health ministry had reported that some blood tests done in a toxicology lab in Brussels had identified a few cases of hemolysis, a problem that leads to the destruction of red blood cells, in some of the hospitalized children (Deogun & Richter, 1999a). However the alarm caused by this announcement subsided somewhat after a lab spokesman later reported that there was only one known case and that there was no identifiable link to Coca-Cola (Deogun & Richter, 1999b). After enlisting the services of a toxicology professor from Utrecht University, Coca-Cola released a report on June 21 that stated that the contaminating substances were not present in large enough amounts to cause illness, though France still upheld its ban and its closure of the Dunkirk plant. European Commission inspectors also decided to undertake joint investigations at

the two plants with Belgian and French officials, believing the issues to still not be satisfactorily explained.

Some other Belgian scientists suggested that the whole situation could be “a form of psychosis” caused by the recent health scares with meat products, and a professor of social psychology hypothesized the existence of “a mass psychogenic malaise” (“Belgian scientists question,” 1999). After finding no link between the illnesses and Coke, even the French health minister suggested that they could be psychosomatic (“New twist,” 1999). Coca-Cola made use of this explanation, suggesting the symptoms were either short-term or psychological.

On June 22, Ivester finally made a formal personal apology to Belgian consumers for any problems, through newspaper advertisements, and he promised to get to the bottom of the issue, though he did not admit that any Coke products had made anyone sick. He also apologized in particular for the delay of Coca-Cola’s response, saying, “I should have spoken with you earlier” and offered a toll free number to call for any questions (Hagerty & Deogun, 1999b, p. A3). In Spain, Greece, Italy, and France, Coca-Cola also bought full-page ads in newspapers. The French ad, signed by the president of Coca-Cola France, assured consumers that its products were “irreproachable” and also released a toll-free number to call (“Coca-Cola reassures,” 1999). In addition, Ivester sent a companywide memo explaining the context of the crisis and noting that Europe was “understandably sensitive and cautious” (Hays, 1999a, p. 4). Coca-Cola Enterprises Inc., the bottling company, issued its own apology two days later.

This apology might have been more successful if it had not been so belated. On June 23, though, production was finally allowed to resume at Belgian plants after Coca-

Cola had complied with Van den Bossche's requirements to obtain new raw materials, clean the plants, improve safety measures, devise a better production-monitoring system, and properly dispense with any remaining product (Hagerty & Barrett, 1999b). The same day, however, Dunkirk authorities called for a judicial inquiry into the drinks bottled in its local plant, specifically for rat poison, though the consumer affairs minister reported no knowledge of it ("New twist," 1999). Production was still allowed to resume at the Dunkirk plant on June 25, after the French food safety council AFSSA was unable to cite any health risks. Coca-Cola vending machines throughout Belgium remained closed down, however, until they could all be examined.

Financial Implications

The crisis had also affected Coca-Cola's financial stability, as shares dropped 1.6 percent on June 15 ("Coca-Cola health scare still," 1999). Coca-Cola Enterprises Inc., however, the bottling company that owns the plants, saw a ten percent drop in stock prices a week after the scare began (Hagerty & Barrett, 1999a). Analysts were estimating that as a result of bans CCE was losing \$3.4 million in revenue per day (Hays, 1999a), which was unfortunate as the summer was when the company usually saw its highest sales. CCE also expected a \$60 million cost for the recall for the second quarter, though some of it would be covered by insurance. Analysts predicted a further \$35 million reduction of operating profit due to lost sales and expenses to be used for new marketing plans (Hagerty & Deogun, 1999c).

Meanwhile, Coca-Cola's competitors were benefiting from the recall; Virgin Cola reported its highest ever demand in Belgium, though Pepsi officially said it would not try to take advantage of Coca-Cola's misfortunes (Slater & Wentz, 1999). Worldwide

markets, however, were reporting decreased sales of Coke as well as more demand for Pepsi.

An Uphill Battle -- Winning Back Europe

After Coca-Cola had figured out the problem, explained it to the public, and was able to resume production in Belgium, it found itself facing the huge task of trying to restore its image with Belgian consumers as well as with Europe in general. In addition to hiring the Publicis Groupe to take charge of crisis communication, Ivester had called former Johnson & Johnson CEO James Burke, who had handled the Tylenol product recall crisis, to discuss how to formulate an effective strategy in order to accomplish this task. By the end of June Ivester had declared that the worst was over, and the focus was now on rebuilding the business and relationships with consumers (“Coca-Cola sees sales,” 1999).

Marketing Strategy

Coca-Cola first of all promised to improve its quality control measures to ensure that any such contamination could not happen in the future. It specifically swore to always make sure that carbon dioxide is received with a certificate of analysis and that each plant must also test it. Furthermore, it would no longer use fungicide on its wooden pallets.

The next strategy it employed was to compensate consumers, as Ivester himself promised to buy everyone in Belgium a Coke. The company sent 5,000 representatives to put coupons in the mailboxes of every home. Ivester had previously vowed to “spend whatever is required” to win back consumers (Echikson & Rocks, 1999, p. 32). Coca-

Cola's new marketing campaign for Europe to help regain its share of the market was entitled "Coke's Back," and it stressed this message in all its efforts. It sent hundreds of representatives to talk to consumers in retail stores, while some of its other promotions included a beach party, a "Coca-Cola summer tour," concerts, and free premiums given to more than 72,000 consumers (Johnson & Peppas, 2003).

After the campaign had begun, a survey of consumers in Belgium, France and Germany revealed that nineteen percent of those polled showed "at least some reservation" about continuing to buy Coca-Cola. But seventy-seven percent of Belgians, seventy percent of French and sixty-one percent of Germans reported that they after viewing the new ads they had "complete faith" in Coke ("Coke faces struggle," 1999).

More Obstacles Surface

Coca-Cola also experienced a few more problems with contaminated products in the following weeks. A small recall was undergone in Portugal due to charcoal residue found in some cans from filtration systems, though there was no health risk. A bigger scare occurred in Poland, however, where mold and bacteria were found in its Bonaqua mineral water due to an incomplete bottle cleaning process. Fortunately the mold and bacteria did not pose a health threat, but Coca-Cola still had to recall 1,500 bottles, which was later expanded to 180,000. In both instances Coca-Cola responded much quicker than it did in Belgium, as it had obviously learned from that mistake.

Coca-Cola also reported a loss of second-quarter profit of twenty-one percent, while European sales volume fell seven percent and worldwide sales dropped two percent, which were all worse than predicted (Hays, 1999b). Meanwhile, Coca-Cola Enterprises adjusted its estimate of the cost of the product recalls to \$103 million.

In October, just when things seemed to be nearly back to normal, Coca-Cola received a huge shock when it found that more Belgian schoolchildren had gotten sick, this time in Tienen. However there was no bad smell involved with the product, and samples tested in a lab turned out normal. Coca-Cola was thus freed of responsibility, but it brought back an unfortunate reminder to the public. The real causes of the original illnesses had never been unequivocally determined, and the European Commission had also joined the ranks of those unsatisfied with Coca-Cola's explanations following its investigation.

The attitude of European officials to Coca-Cola had clearly not improved, as E.U. officials raided several of its offices in four countries due to antitrust suspicions of illegal use of rebates. Later on in November a Belgian court ordered Coca-Cola to terminate its promotional campaign at the behest of a competitor, Chaudfontaine, who was concerned that the company was abusing its market position by giving out free cases of drinks and discount vouchers. Coca-Cola was told to stop within three days and to tell all its wholesalers and 60,000 retail outlets or else face a hefty fine. The promotion had been effective, however, as Coca-Cola had recovered its market share in Belgium, which was back up to fifty-six percent ("Coca-Cola ordered," 1999).

Early the next year, Isy Pelc, head of psychiatry and psychological medicine at Brugmann Hospital in Belgium and member of the governmental health advisory board, carried out psychological tests on 150 children, 110 of whom had become ill after drinking Coke. His findings agreed with earlier ones that the children had real, not imaginary symptoms, but that these were "psychosomatic illnesses...triggered by unpleasant odors," due to the recent concerns about dioxin and mad cow contamination

(Unger, 2000, p. 1F). A Coca-Cola spokesman stated that these findings brought “clarity and closure” to the previous summer’s incident, which the company recognized as “a humbling experience—a wake-up call” (Unger, 2000, p. 1F).

Management Changes

Coca-Cola also underwent a reorganization of its management. After a period of “extensive reflection, chairman and CEO Douglas Ivester decided to retire, citing the need for “change” and “fresh leadership” (McKay & Deogun, 1999, p. B1). The company selected Douglas Daft, who was in charge of the Asian business, to succeed him. Daft was seen as close to the opposite of Ivester, instead noted for his “gravitas” and “broader strategic view of the business” (McKay & Deogun, 1999, p. B1). Part of Daft’s new strategy involved heavy restructuring of the company, such as a layoff of 6,000 workers including half of those at the Atlanta headquarters, which would be decentralized, putting the decision-making process at the local level as part of a new goal to “ensure that Coca-Cola complements the local culture in every community where it is sold” (Taylor, 2000, p. 290).

Crisis Resolution -- Thinking and Acting Locally

Finally, Coca-Cola’s crisis reached a resolution, as the company regained its pre-crisis health, specifically in terms of market share. Although the ban itself had only been in three countries, Belgium, France, and the Netherlands, whose sales only accounted for four percent of Coca-Cola’s global revenue, the stigma of a contamination crisis was much more of a threat to its business, both with appealing to consumers and expanding its distribution in Europe.

One of the major lessons for Coca-Cola was to appeal to markets locally. New CEO Douglas Daft's mantra was "think local, act local." Daft was particularly dedicated to improving the company's relationships with European groups, becoming "more responsive to European regulators and cultural sensitivities than it had been" (Freedman & Butterfield, 2000, p. 13).

With several lessons now learned, Coca-Cola was also able to spot and rectify future problems before they evolved into crises. Coca-Cola Enterprises Inc., its bottling company, voluntarily recalled more than 25,000 cases of two-liter bottles in Georgia and Florida in October of 2001. The company claimed that the products did not "meet its bottling standards" but that they "never posed any health concerns" ("Recall of some of Coke," 2001, p. B2). The recall was actually not revealed until months after it had happened; the FDA stated that if the recall had "posed immediate danger to consumers the agency would have issued a public alert at the time" ("Recall of some of Coke," 2001, p. B2). Another voluntary recall took place in France in March of 2001 due to a packaging defect that could cause glass bottles to break. CCE worked with the French government to inform the public and collect all of the bottles, and it also ran ads in French newspapers, calling the recall "a precaution" ("Bottles recalled in France," 2001, p. C9). In May of the same year, a third recall took place, this time back in Belgium, due to exposure of fruit-flavored soft drinks to light, which affected their taste and color. Although Coca-Cola claimed that there was "no health risk," it was recalling the bottles because it could not "guarantee the quality" ("Coca-Cola recalls bottles," 2001, p. B11).

Still, there was some trouble on the horizon, involving multiple allegations of pesticide contamination in India, which were also applied to rival Pepsi. However, tests

showed that the levels were within the legal limits for the country for both companies. Coca-Cola also faced a recall of its Dasani bottled water in the U.K. in 2004 after finding bromate levels that were above legal limits. Though the recall process was simple enough and Coca-Cola was quick to explain the problem, it faced more difficulties due to already existing hostility against the product because it was purified tap water, not spring water, and eventually the company indefinitely postponed the product's launch across Europe.

Conclusion -- Lessons Learned from Coke

What many have wondered at is the fact that a company like Coca-Cola, which is renowned for its marketing prowess and corporate culture, could falter so badly in such a situation as the Belgian contamination crisis. Smith et al. (2000) note that it was the government, not Coca-Cola, who took the initiative to safeguard the public from the health threat. Belgian health minister Luc Van den Bossche remarked, "It's a bit disturbing that a big firm with worldwide fame...did not take far-reaching measures more promptly" (Buckley & Liu, 1999, p. 1).

Coca-Cola also suffered more from its recall due to its strong global recognition, which resulted in extensive publicity around the world as it stumbled along. Some of the strategies it chose to salvage its image were not successful and seemed to have ended up intensifying the initial stage of its crisis. Its strategy of denial and shifting blame brought about confusion, as it did not have its story straight as the crisis unfolded. It made the mistake of sending mixed messages, as it "acknowledged that the reported illness was the real thing, admitted that it was responsible for defective products, but adamantly denied culpability for the illness" (Whelan, 1999, p. A26). Lenfant, the Coca-Cola director,

admitted that Coca-Cola “lost control of the situation to a certain extent” and stated, “the first couple of days of the crisis we didn’t know (the cause) and I humbly admit perhaps we should have said so more clearly” (Handyside, 1999).

Its claims that the effects were short-term or even psychosomatic, attempts to reduce the offensiveness of the issue, also did not sit well with the public, especially those few victims who experienced long-term health problems. Even Ivester’s apology was not as well received as it would have been if he had given it the day after, or even several days after, the first reported illness. Similarly, the fact that he did not arrive at the scene of the crisis until ten days after it broke, and that he actually was in Paris at the time but went back to the U.S., seemed to suggest a serious lack of concern. A European PR executive commented that Coca-Cola gave “the impression of being more concerned about products than people,” when those people were still experiencing anxiety over the other recent contamination scares, and echoed Benoit (1997) by stressing, “it’s all about perception, not reality” (“Coca-Cola urged to heed,” 1999). In addition, these strategies used to restore the company’s image may have also ended up prolonging the crisis. For example, Hartley suggests that these initial failures in responding to the crisis may have made some publics “more receptive to antitrust allegations” (2001, p. 26), while as surveys showed, certain percentages of consumers remained reluctant to trust Coke again.

The vice president of Britain’s Institute of Public Relations has suggested that the reason Coca-Cola did not respond very quickly was because it was “constrained by a lack of internal communications,” because as a multinational company its production was based in a different country from its operational management (Tomkins, 1999a, p. 25). Wakefield also cites this structure as a problem, noting that “Coca-Cola’s failure to

anticipate the crisis and its seriousness may have been couched in a deficient public relations structure” (2000, p. 65).

At the center of this case is an international strategy that was no longer viable. Part of the problem faced by Coke seemed to result from an arrogance, or perhaps naivety, that believed that a universal global marketing approach was acceptable, a philosophy linked to former CEO Douglas Ivester. In Coca-Cola’s particular case, its image restoration strategies failed because of cultural differences, as strategies for its home country were rashly transplanted onto a foreign environment. As such, the explanations and promises Coca-Cola made “were not enough to satisfy cultures that seek order, predictability, and adherence to rules and laws” (Taylor, 2000, p. 289). Ivester’s rational worldview was therefore no longer effective in a global economy with unpredictable markets, regulation, and consumer anxiety (Sellers, 1999). Sellers explains the situation in the extreme: “Ivester and his acquisition team [saw] themselves as beneficent foreign investors...while regulators abroad view[ed] them as ugly Americans bent on Coca-Cola-nizing the planet” (1999, p. 74).

Looking at Coca-Cola today, it is clear that it has successfully rebounded from this particular crisis, reaching the resolution stage, and it continues to be the marketing giant that the media says it is. Coca-Cola has since learned to use such a “multi-local” strategy to properly manage the cultural differences in its various markets, shifting more to the diplomatic style of its later CEOs like Daft. However, going through a crisis once does not make an organization immune to all future ones, as the Dasani case showed. As always, the nature of the global economy is unpredictable, and though some may theorize about what might be coming tomorrow, the best strategy is to have a plan for the

unthinkable, making the necessary preparations in the present so that future crises can be stopped in their infancy, because no organization wants to suffer the unpleasantness of a prolonged crisis, especially one whose effects will likely reach all around the globe.

CHAPTER THREE: The Magic's Gone:
The Marketing Mistake of Euro Disney in France

The Case of Euro Disney

The Walt Disney Company found itself in a difficult marketing situation with its Euro Disney venture in the 1990s. The plan to open a new park near Paris, in the center of Europe, seemed like a great idea. Much planning and several billions of dollars went into the project, but the park failed to live up to its hype. Not only was it unable to meet revenue expectations, but it also created varying amounts of friction with French publics and ultimately was faced with the prospect of closure. The company received much criticism and corporate arrogance was argued to be a major source of the problem, as Disney tried to follow the same procedures that it had used for years with its American theme parks, only to find that these were incompatible with French culture. A critical reevaluation not only of its financial situation but also its marketing strategy followed.

The French are commonly known to be a proud people and sensitive about their culture. In their dealings with the European Union, they have been strong advocates for cultural protectionism, including restrictions on non-European imports of film, TV and music. American popular culture and the English language in particular have been seen as a major threat. *Time* magazine, however, noted that if there was anyone who could match the intense pride and protection of culture that the French possess, it was the Walt Disney Company (Rudolph & Gomez, 1991). Disney's success had been based on its strict control over its ventures, accomplished due to its "highly systemized operations management and human resources management," in which it held the highest confidence

(Grant, 2003, p. 259). The company thus had no qualms about “imposing intact its American standards of dress, behavior, and morality” on the French park (Laitamaki, as cited in Spencer, 1995, p. 107-8).

This crisis represented the first major failure for Disney and new CEO Michael Eisner, who had been responsible for revitalizing the company in the past decade, boosting its market value of almost \$2 billion in 1984 all the way up to \$28 billion ten years later (Huey, 1995). Euro Disney was posting such enormous losses that its parent company had to postpone its royalty payments and even give the park more money so it could stay on its feet until it restructured its debt. This first non-franchise foray outside its home country was certainly looking problematic for a company that viewed the international stage as the future for theme parks and the “cornerstone of [its] international growth strategy” (Marr & Fowler, 2005, p. B1).

Theme Park Background

Disney has experienced great success with its theme parks in California and Florida. By 1990, Disneyland and Disneyworld were attracting 2.7 million international visitors a year who spent \$1.6 billion on Disney merchandise (Greenhouse, 1991). This, combined with the healthy market for Disney movies and merchandise, certainly seemed a good reason to expand its theme park operations overseas. After all, it had already opened up Tokyo Disneyland in Japan in 1983, which was bringing in sixteen million visitors by 1990 and earning profits of \$150 million. Unfortunately for Disney, it had been reluctant to put forth a large investment in the Japanese park because it was so new and the culture so different, so a Japanese ownership group took a 100 percent stake in the project and reaped the rewards all by itself (Hartley, 2001).

Europe was decided on as the next destination for a Disney park, as its market accounted for twenty-five percent of revenue from Disney merchandise, and Paris finally edged out Barcelona for the prize of hosting Disney (Grant, 2003). Despite its more varied weather, Paris was a very central location, with 310 million people just a two-hour flight away, and the region had reasonable availability of land and a very good transportation system. Disney's original budget for the park was \$2 billion, but the company decided that the current American designs would not live up to the expectations of a continent where such things as castles and royalty were an essential part of the history, so the park's budget eventually almost doubled (Spencer, 1995). The total cost of the project became \$4.4 billion, and the park would cover 5,000 acres in Marne-la-Vallee, twenty miles east of Paris (Hartley, 2001). Not wanting to make the same mistake of conservatism that it did in Japan, Disney opted for a forty-nine percent stake in the project, which was the highest allowed by the French government. However the company only put forth \$160 million, receiving \$1.2 billion in equity from other investors, while the remaining amount was paid for by loans from banks, the French government, and special partnerships (Greenhouse, 1991). Another mistake from its past that Disney sought to avoid was allowing others to profit by setting up hotels around the park, which had happened in California. Instead, Disney built six hotels with 5,200 rooms, in addition to a campground, an office complex, shopping malls, apartments, golf courses, and vacation homes (Gumbel & Turner, 1994).

The French government facilitated the project by providing a \$750 million loan at below-market rates, while selling land to Disney at 1971 prices. It also invested millions to improve infrastructure reaching the park (Hartley, 2001). In return, the French

government benefited from the possibility to create 30,000 new jobs and improve its unemployment rate, while its tourist industry would receive a major boost with an expected \$1 billion a year from foreigners (Greenhouse, 1991).

Great Expectations and a Tale of Two Cultures

Disney certainly possessed the greatest confidence in its Euro Disney venture. It predicted eleven million visitors in its first year as a conservative estimate, rationalizing that if Europe's 370 million people visited the park at the same rate as Americans flocked to the U.S. parks, there would be sixty million guests (Greenhouse, 1991). The fact that Europeans typically enjoyed five weeks of vacation instead of Americans' two or three suggested a large potential for this number to increase. Estimated gross receipts for the first year of operation were \$1.12 billion (Rudolph & Gomez, 1991). When shares in Euro Disney were offered to the public in October of 1989, the public was extremely eager to buy, as Disney's track record and its ownership of forty-nine percent of shares seemed to offer much promise. The shares quickly increased their value leading up to the park's opening (Curwen, 1995).

Looming Problems

There were, however, several signs that this project would not be all smooth sailing, although Disney's confidence brushed most of them aside. First of all, Disney was trying to succeed where others had failed; three \$150 million amusement parks had been built in France in the past several years, all with high expectations, but instead they were failures—two of them bankrupt. Disney was not fazed by this, believing that its twenty-two billion franc investment would make its park far superior to the other parks

with their meager investments of 700 million francs (Greenhouse, 1991). In fact, the Disney heads were not at all worried about how large the park would be, but rather that it would be too small for the multitude of visitors that would flock to it; Euro Disney chairman Robert Fitzpatrick admitted that his “biggest fear” was that the park would be “too successful” (Greenhouse, 1991, p. 1).

As thorough as Disney was in its planning of the park, it seemed to shrug off the cultural concerns that were being raised in France due to its new product. It had made some initial efforts to cater to the local culture; the original Euro Disney chairman, Robert Fitzpatrick, was selected because he was an American who spoke French and was familiar with Europe, and was even married to a French woman. Disney also received assistance from local consultants for its dealings with French officials, as Fitzpatrick was aware that “form is very important in France” (Rudolph & Gomez, 1991, p. 49).

However, Euro Disney ended up with some problems with its contractors, as two filed for bankruptcy during construction, so the company had to pay additional subcontractors to finish the work of the original two (Gumbel & Turner, 1994). The company also ran into trouble with many contractors who were demanding unpaid bills for additional work due to changed plans, although the company rejected those claims (“French far right,” 1992).

Other cultural considerations included the decision by Disney executives that there would be two official languages of the park, French and English, and that there would be multilingual guides and a variety of accented characters in order to appeal to a range of cultures. Some attractions would stress European roots, such as a Discoveryland, based on the French writer Jules Verne, and Sleeping Beauty and Snow White would both have French names (Greenhouse, 1991).

The park itself was not the only factor that needed to be considered, however. The proud French felt affronted by the actions of the Disney executives during the planning process, who seemed “brash, insensitive, and overbearing,” an attitude that did not help things to run smoothly both before and after the opening (Gumbel & Turner, 1994, p. A1). Reportedly, the Disney people’s response to everything seemed to be, ‘Do as we say, because we know best’” (Gumbel & Turner, 1994, p. A1). Even though Fitzpatrick had often warned that “France should not be approached as if it were Florida,” this advice generally went unheeded (Hartley, 2001, p. 214).

In addition, there was also a fair amount of discontent voiced in the press by French intellectuals regarding Euro Disney’s threat to French culture. Although Disney executives were eager to point out the European origins of many popular Disney film characters, for certain members of the French public this was just America “appropriat[ing]” European stories and “selling them back...in sanitized form” (Phillips, 1993, p. 47). The term “cultural Chernobyl,” was popularized by a Parisian theater director, Ariane Mnouchkine (Rees, 1992, p. 57), while the park was also called “a Trojan horse of American culture” (Fawcett, 1992, p. 13). The French National Front party, a right-wing group, alleged that Disney was “acting...as if it were in occupied territory” and that it “want[ed] to impose its own laws” (“French far right,” 1992). These voices represented only a minority of the population, however, but some of their allegations, particularly those of American arrogance and strict regulations, were more widely held. Even French president François Mitterand, while approving the park to satisfy economic goals for the country, did state that it was “just not my cup of tea” (Eisner, 1998, p. 285).

Another issue with the park was how to compare it to the one in Japan. Disney's construction manager for the French park had studied Tokyo Disneyland for two years after it opened to determine ways that its construction could have been better, and the company used that knowledge to ensure that Euro Disney was built on time. One major finding was that there should be covered waiting areas for lines due to the issue of weather, which would not be the perpetual sunshine enjoyed in Florida and California (Greenhouse, 1991). French winters, however, tend to be rainier and slightly colder than in Japan. Nevertheless, during an early meeting an executive questioned whether the French would queue up under such conditions, and he was simply assured that "the Japanese do" (Solomon & Stanger, 1994, p. 36).

There was one factor, however, that was not considered, which was the cultural identity of the Japanese park. Disneyland Tokyo is not an American corporation located in another country, like Euro Disney, because Disney does not possess any ownership of it—the Japanese do. As such, it is "an American product sold by a Japanese company," meaning that the Japanese company, which knows its target market intimately, has control of marketing the park (Packman & Casmir, 1999, p. 478). The park was thus designed with the Japanese fascination with American culture in mind—even to the point of having only one Japanese restaurant (Hartley, 2001). Euro Disney, on the other hand, had to deal with marketing the park not only to the French, but also to the rest of the European continent, whose tastes vary widely.

Grand Opening, But Not Grand Enough -- Mickey's in the Red

Euro Disney planned for a huge celebration for the opening day on April 12, 1992. It hosted an enormous gala for the press during the preceding weekend, which was attended by 2,500 people, giving global media exposure to the park's opening (Fawcett, 1992). There was also a \$10 million opening ceremony that featured an international cast of celebrities like Cher, Peter Gabriel, Jane Seymour, Jean-Claude Van Damme, and Eddie Murphy, to name but a few. This two-hour-long event was broadcast to twenty-two countries (Lainsbury, 2000). Meanwhile, a single \$220 million marketing campaign had been launched across Europe, which included corporate partnerships with European and American companies, and even a "Disney Club" Sunday morning children's show on several TV stations across Europe focusing on the park itself (Riding, 1992; Lainsbury, 2000, p. 89).

The night before the park opened, however, a bomb placed by protestors exploded near an electricity pylon, cutting off power to several hotels briefly but not affecting the opening. The next day there was a rail strike instigated by the General Confederation of Labor, a union associated with the Communist party (Cohen, 1992a). Euro Disney initially faced some problems with visits from Paris in the following weeks because of the strike and the resulting fear of traffic jams. Due to Disney policy no attendance records were released, but the company did reveal that there had been 1.5 million visitors in its first seven weeks, but that it could not make any assumptions from that number. However, the company did state that it might not be profitable in the fiscal year ending in September, which resulted in a drop of Euro Disney stock of five percent, taking it more than twenty percent below its price at the park's opening (Cohen, 1992b). Indeed, the

company ended up reporting a net loss of \$34.4 million, and a further loss of \$203 million in the first half of the next fiscal year, despite meeting its first year target of eleven million visitors just two weeks late (“Euro Disney posts loss,” 1992; Cohen, 1993).

Despite the high fanfare and expectations, there were several factors that put a crimp in Euro Disney’s plans for success. First of all, its pricing structure was proving a major problem, because the company had assumed that visitors would pay the lofty prices because of high demand, and it still kept them in place in order to reach revenue targets. However, while these plans were made during a boom period, the opening occurred during the middle of a major recession across Europe, and so consumers were less likely to spend, even bringing their own lunches. Falling exchange rates also meant that trips were more expensive for those visitors from outside France. Admission prices were higher than at the American parks, and the premium Disney hotels cost as much per night as an upscale hotel in Paris and were barely half full. Also, because Paris was less than an hour away, many of the park’s guests simply spent the night in one of the city’s many hotels (Hartley, 2001). In fact, the amount of money spent on trip to Euro Disney was so high that a U.K. resident could take a vacation at Disney World in Florida and spend about the same amount (Crumley & Fisher, 1994). The high prices were also putting off many European tour operators, some of whom were further offended by a lack of partnership extended by the company and threatened a boycott (“French coach operators,” 1992).

Another component of the problem stemmed from the very nature of the park itself. According to a French investment banker involved with the project, Disney

attempted to make the European park the same as its American ones, as a “vacation place,” but Europeans would look more for “a show,” something they can do in a day, because of their different notion of what a vacation is (Packman & Casmir, 1999, p. 480). A typical European vacation does last for several weeks, but on a much more moderate budget than in the U.S. and in more modest accommodations. Visitors were thus staying for fewer days at Euro Disney, an average of two, with one night in a hotel. Meanwhile, Disney’s operations in sunny Florida and California, which had additional parks and activities to keep guests occupied, while also offering Europeans the novelty of visiting the U.S., enjoyed average visits of four days (Hartley, 2001). Another factor was that European parents were generally stricter about school attendance due to the different education system and would therefore be unlikely to whisk their children away from school for a vacation getaway, as Americans might do (Spencer, 1995).

There were several cultural misreads, or mistakes of commission, at the park level as well. Euro Disney did not sell alcohol anywhere in the park, despite the seemingly obvious prominent role of wine in French culture (Hartley, 2001). Another marketing blunder was the preponderance of upscale sit-down restaurants and classy gift shops, while European visitors were often more apt to choose fast food on the go and purchase the simple souvenirs common in the U.S. The hotels also ran into trouble initially by having limited facilities of coffee and croissants for breakfasts, whereas the majority of guests showed up for a full sit-down meal (Phillips, 1993). Euro Disney shelled out extra money to build an elaborate tram system from the hotels to the park, but the European guests preferred to walk instead (Herbig, 1998). Some people were also confused as to

the cultural identity of the park, noting that Disney had not “figured out whether it’s going to be an American park, a French park, or a European park” (Grant, 2003, p. 271).

Strained Relations with Employees and the Press

Disney had originally asked that the French government allow Euro Disney to be exempted from following French labor laws so that it could apply the same practices as in the U.S. One of these included the prevention of unionization, although in France unions are a stronger social force than anything else, so their complaints over Disney employment policies did not help Euro Disney’s public image (Packman & Casmir, 1999).

One of the biggest points of contention was Euro Disney’s dress code policy, known as the “Disney look,” which created what some called a “struggle between French individualism and American conformism (Kuisel, as cited in Forman, 1998, p. 253). Employees even nicknamed the park “Mouseschwitz” for these strict codes, which prohibited everything from dyed hair, smoking and gum chewing to inappropriate underwear, and workers gave accounts of “undercover” employees who would keep track of this (Phillips, 1993, p. 47). By the end of May 1992, less than two months after opening, Disney reported that 1,000 of its 16,000 workers had left, although slightly less than half of them did so voluntarily. An industry newspaper, however, reported that the number was 3,000, and that the reasons included low pay and poor conditions, though this was denied (Turner, 1992). Another issue with the Disney Look was the insistence that a smile also be worn as well, but the idea of high-level American service “with a smile” seemed lost on many French employees. According to one staff member, “the

French don't understand [being smiled at]. They think they are being taken for idiots” (Rees, 1992, p. 58).

Disney was also unable to predict what days would be most popular, and the attendance would vary wildly, leading to a need for employee layoffs during the low season, which ran afoul of France's “inflexible labor schedules” (Hartley, 2001, p. 216). In addition, while overestimating many factors, one thing Disney underestimated was the number of bus drivers, resulting in a busy day rush of 2,000 drivers for a restroom made for fifty people (Hartley, 2001).

According to journalists, Disney was very strict about access to their information, creating many hoops to jump through to get an interview. Some even complained that they were “treated like school children” (Fawcett, 1992, p. 15). It is interesting to note that just as Disney failed to adjust their marketing style to their various European audiences, it also neglected to modify its dealings with the press to a more European approach. For example, the vice-chairman of the Association of Foreign Correspondents in Paris described the offense taken by many of her fellow European journalists, who were “not used to being told to whom they may and may not speak, and...were amazed by the autocratic manner in which [they] were treated” (Fawcett, 1992, p. 15). This was yet another manifestation of Disney's mistake of omission, and it would not help improve Disney's image in the press.

This was especially true since Euro Disney also became “the focal point for anti-American gripes” (Tempest, 1992, p. A14). A prominent example of this was a huge protest by French farmers outside the park in June 1992, which effectively blockaded the entrance. They had come to protest new regulations of the European Community on

agricultural subsidies, upon which the U.S. had had some influence, and declared that Euro Disney was “the symbol of an American culture that has invaded [their] land” (Tempest, 1992, p. A14). The public relations woes worsened as the European press jumped on the Disney-bashing bandwagon. A letter in London’s *Independent* called Euro Disney “America’s cultural Vietnam,” presenting its problems as justice for its arrogant efforts to Disnify the world (Lawson, 1993, p. 20). Satirical cartoons also depicted such sights as Mickey panhandling in front of the Eiffel Tower (Solomon & Stanger, 1994).

Focusing on the Problem

The main problem was that although Europeans were greatly enamored with the park itself, making it the biggest paid tourist attraction in Europe, they were not spending nearly enough to match the projected revenue and profits (Hartley, 2001). Disney had expected the break-even point to come between seven and eight million visitors, but it soon became clear that this was a huge underestimate (Turner & Gumbel, 1992). It was not uncommon for theme parks to have shaky starts, but the unfavorable press and the fact that some people seemed pleased to see the park struggle were an additional bad omen and a “severe blow to Disney pride” (Lainsbury, 2000, p. 110).

As part of an emergency management strategy, Disney brought in a group of American business experts to evaluate the enterprise. According to one of these experts, the primary obstacle was that CEO Michael Eisner did not believe that there was actually a problem and felt that the situation would eventually smooth itself out. Furthermore, while numerous news publications blamed Euro Disney’s troubles on cultural miscues, Disney placed sole responsibility on the current economic recession in Europe (Packman & Casmir, 1999).

A German marketing professional declared that “the entire marketing strategy...was to blame” (Crumley & Fisher, 1994, p. 39). Euro Disney’s director of sales and marketing in the UK admitted that there were “naïve assumptions made about the European consumer,” as Disney had viewed Europe as a “homogeneous market,” a major mistake of commission (Marsh, 1996, p. 14). Disney’s annual report for 1993 acknowledged that the recession was not the only problem; overpricing and sub-par marketing were also cited. It called for lower prices and new rides, and set forth a goal of streamlining management (Curwen, 1995). Disney Chairman Michael Eisner called the park the company’s “first real financial disappointment,” as it lost \$921 million in its first fiscal year, even with 17 million guests (“Euro Disney’s performance,” 1993). By the end of 1993, Euro Disney had lost \$1.03 billion, and rumors of closure abounded in the press (Hartley, 2001).

Although Euro Disney was losing more than \$2.5 million per day in its first year, this actually came from non-operating costs, as it was still making an operating profit (Hartley, 2001). The problem came from the high sunk costs of its elaborate construction and the rising interest rates from its many loans. Disney had hoped to sell its hotels and other land to private investors because of the large amount of interest factoring into its costs, but the low occupancy rates and a slumping French real estate market due to the European recession made this impossible for the time being (Hartley, 2001). High interest rates also postponed its plans for an adjoining second park and convention center, which was a major hindrance to long-term plans because these would have provided incentive for guests to stay for multiple days and occupy the hotels (Curwen, 1995).

The Walt Disney Company gave the park \$175 million to keep things running, while Euro Disney sought to restructure and refinance its high-interest \$2.9 billion in bank loans, which had been pushing the venture's breakeven point further and further into the future (Hartley, 2001). Disney finally stated itself that if it could not work out a restructuring for Euro Disney by the end of March 1994, the park would have to close (Curwen, 1995).

Wishing Upon a Star -- Revenue Turnaround

By 1994, Disney was reducing prices for everything from off-season admission to hotel rooms and merchandise. The new strategy revolved around the two ideals of "efficiency and economy" (Gumbel, 1994, p. A14). Examples including nearly halving the amount of merchandise in stores, offering simpler American Disney products, as well as cutting 900 jobs by a much needed streamlining of its operations. Euro Disney also retrained its 9,000 full-time employees, specifically in customer service abilities, which included intensive language lessons (Hartley, 2001).

Rescued by Banks -- and a Prince

On March 15, 1994, two weeks before the deadline, Euro Disney and its banks reached an agreement to make the park profitable by September 30, 1995. European banks would offer an additional \$500 million and agree to forgive eighteen months' interest and defer principal payments for three years. Disney's part of the deal was to dish out \$750 million toward the effort and suspend its generous management fees and royalties from ticket and merchandise sales for five years (Hartley, 2001).

A welcome addition to Euro Disney's turnaround efforts was a \$500 million investment by Prince Alwaleed, a member of the Saudi royal family who had a history of saving ventures on the brink of failure, in return for twenty-four percent ownership of the park (Hartley, 2001). This was a huge boost for confidence in the company, as it showed great faith in the recovery and eventual success of the park. In addition, Prince Alwaleed also agreed to finance \$100 million toward a new convention center at Euro Disneyland, as the park's current convention offerings were already in high demand (Turner & Coleman, 1994).

Euro Disney posted a \$350 million net loss for the fiscal year ending in September 1994, which was about sixty percent less than the previous year, although it was still struggling, as it had attracted ten percent fewer visitors to the park, whose individual spending had dropped ten francs a person. Nevertheless, the new chairman, Phillipe Bourguignon, a Frenchman who had replaced Fitzpatrick in 1993, still sought to break even by 1996 ("Euro Disney registers," 1994).

Euro Disney's losses continued to decrease through the beginning of 1995 as attendance started to rise again following price reductions of up to twenty percent on everything from admission and food to hotel rooms, while the new \$150 million Space Mountain attraction was also a huge draw. The opening of the English Channel tunnel and new high-speed rail lines helped as well. Waiting times for attractions had also been cut down by forty-five percent (Grant, 2003). Prices were further reduced during the winter season and instead of celebrating American holidays there would be special events for European days like Bastille Day (Phillips, 1993).

Euro Disney also reworked its marketing strategy to launch different campaigns in different countries, including several joint promotions, such as one with British airways to offer a special two-day package to the park (Marsh, 1996). In addition, a new strategy was the renaming of the park to Disneyland Paris, in order to disassociate it from the stuffier business connotations and cultural identity questions of the word “Euro,” as well as to distance itself from the negative image that “Euro Disney” had come to represent, especially in the press. It also helped to tie the park to the city of Paris in the public’s mind and basically represented an opportunity for rebirth for the company, which would still be known as Euro Disney (Eisner, 1998; Godwin, 1994; Grant, 2003).

At last, Euro Disney posted its first profits of \$35.36 million in the third quarter of the fiscal year ending September 1995, compared to the previous year’s third quarter loss of \$113.6 million (Nash, 1995). For that entire fiscal year, Disney had a profit of \$23 million, a significant improvement from the last year’s loss of \$371 million, as theme park revenue increased eight percent and hotel revenue by sixteen, and at 68.5 percent the occupancy rate had surpassed those of French hotel chains (“Euro Disney reports,” 1995).

A Swan Emerges

In 1995, the Walt Disney Company’s acquired Capitol Cities/ABC Inc. for \$10 billion, a deal that suggested many possibilities for the future, particularly in the international arena. CEO Michael Eisner suggested that this would include building theme parks in South America and Asia. In 1997, Giles Pellisson, a man of international experience, educated both at Harvard and the French business school ESSEC, took over the presidency of Euro Disney. Also that year the second-to-last stage of the Tour de France, commencing the final day of the race, took place in Disneyland Paris, and the

cyclists were housed in the Disney hotels the night before. This honor from such an emblematic event in French culture certainly suggested that the park had become accepted as a part of the French landscape and even culture (Dejevskey, 1996).

Net profit had also increased 7.5 percent for the fiscal year 1997, to \$36.1 million, even in the face of rising debt payments to be made, as revenues continued to grow with a 7.7 percent rise in guests, many attracted by the park's numerous special events for its fifth anniversary ("Euro Disney net profit," 1997). This progress led a Salomon Brothers analyst to comment that although "Euro Disney might still look like an ugly little duck...a swan is emerging" (Fondiller, 1997, p. 16C).

For the fiscal year 1997-98, net profit rose dramatically by thirty-four percent to \$51.7 million despite a slight drop in the number of visitors ("Euro Disney profit," 1998). Euro Disney would still have 12.5 million guests in 1998, making it France's top tourist attraction yet again, with the largest representation coming from the French, who made up forty percent of all visitors (Hartley, 2001; Packman & Casmir, 1999). The next year, however, would commence the payment of royalties and other fees to the Walt Disney Company. This caused profits to make a complete reversal in 1998-99, falling 46.6 percent to \$24.78 million despite increases in average visitor expenditure and hotel occupancy ("Euro Disney profits," 1999). Net profits would still rise the following fiscal year, up to \$33.2 million, as a result of higher spending per visitor (Prada, 2000).

Not Quite Happily Ever After

Thus Euro Disney was eventually able to get on its feet and consistently generate a profit for several years running. The Euro Disney story became an example and

reminder to the Disney Corporation of its ability to achieve success against great odds. It was also a lesson about paying attention to the needs of foreign cultures, and as a result the company was now seeking “to meet deeper cultural values instead of simply matching cultural norms” (Packman & Casmir, 1999, p. 482). In light of these positive signs, the company saw fit to finally expand its theme park offerings again.

Unfortunately, despite its comeback in the late 1990s, Euro Disney would still find itself facing future challenges due to its pre-existing burden of debt and royalty payments.

New Plans

Disney announced in 1999 that it would build a \$642 million movie theme park, Disney Studios, next to Euro Disney, which opened in 2002. The French government agreed to pay for some additional infrastructure and an employee training center in return for the 5,000 new jobs that would be created. Meanwhile, though Disney would finance the park through additional long-term loans from a French financial institution, the expanded attraction was estimated to draw in 4.2 million more visitors a year (Fleming, 1999). The new park aimed to be much more European in nature, to the satisfaction of the French public, including virtual tours guided by European actors speaking in their native tongues, and a Swiss architect and set designer was used as a consultant on the project. Due to high occupancy rates at its hotels, Euro Disney also built seven new ones. A new marketing strategy was employed, using travel agents, who controlled a major part of the market, to help sell the new park, something Euro Disney did not do for the first one (Prada & Orwall, 2002).

However, the new park went on to suffer from some of the same problems as the old one, though they were not so culturally rooted. Guests often complained that there

were not enough attractions and that the entry fee was too high. Also, Euro Disney still had a substantial amount of debt-- \$2.9 billion-- to repay, and the extra \$642 million did not help. In addition, there were some unforeseen factors that adversely affected the park's performance, including the slow tourism seasons after September 11 and a major heat wave in the summer of 2003. As a result, Euro Disney posted a net loss of \$33.5 million in 2002, and by mid-2003 it was threatened with bankruptcy as losses grew 69.2 percent (Garrahan & Hearn, 2002; "Euro Disney reports losses," 2003). In 2004 it had a record loss of almost \$190 million, having only attracted 2.2 million visitors to Disney Studios (Wrighton & Orwall, 2005). The company thus had to undergo another agreement with Disney and its creditor banks. Part of this involved an increase of shares from one billion to 3.8 billion, in an attempt to obtain a capital increase of 253 million euros. Disney put forth 100 million euros worth while also forgiving and further deferring some more debts and royalty payments (Wrighton & Orwall, 2005). Euro Disney planned on new attractions, which included an updated Space Mountain ride, a Buzz Lightyear experience, Tower of Terror ride, and a new Toon Studios in the Disney Studios park, to help bring in more visitors. There have been some signs of improvement, as by the first quarter of the 2004-2005 fiscal year sales had increased three percent to \$348 million ("Euro Disney shares," 2005).

Disney had also reached an agreement with Hong Kong in 1999 to construct a Disney theme park, on Lantau Island, just west of Hong Kong, which opened in September 2005. Of the total cost of \$3.6 billion, Disney only put forth \$316 million for forty-three percent ownership, while the Hong Kong government invested \$419 million in addition to \$1.75 billion for infrastructure. The rest came from government and bank

loans. The deal was particularly favorable to the sagging Hong Kong economy as 18,400 jobs were created in the first year with 35,800 more to come later. Disney planned to make the park smaller and created only 2,100 hotel rooms, due to estimates of five million visitors a year (Landler, 1999). Disney also made several cultural concessions, including Asian food at restaurants, correct feng shui, the adjustment of several rides to suit local tastes, and the creation of the Fantasy Gardens, home of the Chinese Disney character Mulan, as the main attraction of the park (Fowler & Marr, 2005).

The park has started a little slowly, missing its 5.6 million attendance target for the first year by about a month, due to several setbacks including challenges with crowds during the Chinese New Year holiday (Fowler, 2006). Disney's plans for another Chinese park suggest their confidence that this venture will be eventually prove a success, but only time will tell.

Conclusion -- Disney Deals With a Small World After All

Just as with Coca-Cola, it is amazing to see how such a major marketer as Disney could manage to err so greatly. It might be said that Disney's perceived strength became its weakness in this particular case, as its confidence and belief in the superiority of its operations failed to impress the French. In fact, "the tendency of Disney officials to maintain their tradition and established procedure clashed with the tendency present in French culture to protect its own" (Packman & Casmir, 1999, p. 478).

Although the hostility projected by French intellectuals seemed to have little impact on the French public's embracing of the park, some of the problems stemmed from a "different type of culture clash," resulting from that "brash, frequently insensitive

and often overbearing style” of Disney’s corporate culture (Gumbel & Turner, 1994, p. A1). Christian Cardon, the French government official who headed negotiations with Disney, remarked that “our backing for the project always stemmed from social and economic considerations, never from cultural ones” (Cohen, 1993, p. 1). Particularly through its early marketing campaign, Disney had “insulted Europeans with its imagery of American-style bigness,” and its ads emphasized the park’s enormous size without informing about specific characters and attractions (Crumley & Fisher, 1994, p. 39). It did not help that many French felt threatened by the kind of cultural hegemony that Disney represented as such a strong symbol of America.

According to Hartley (2001), Disney possessed “the arrogance of success,” by which it did not think it necessary to modify its previous strategies in a new environment, thus committing its major mistake of omission (p. 222). One employee claimed that the company did not even want to use the metric system (Packman & Casmir, 1999, p. 478). Numerous Disney executives have admitted such arrogance, saying they were confident that “people [would] come— on our terms” (Gumbel & Turner, 1994, p. A1). Disney’s community relations manager had exuded confidence about the park, saying, “we knew it would work because it had worked everywhere else” (Packman & Casmir, 1999, p. 479). The strength of the brand was seen as a stamp of success; current Euro Disney CEO Jay Rasulo has commented that they thought “it was enough to be Disney” (Prada & Orwall, 2002, p. B1). Any doubts seemed to be assuaged by the fact that so much money was being put into making the park as elaborate and refined as possible, due to the rather stereotypical notion that “‘Lacoste and Polo loving’ Europeans would not tolerate anything unsophisticated or cheap” (Grant, 2003, p. 272). As Rasulo recalled, however,

the realization would come later that “guests need to be welcomed on the basis of their own culture and travel habits” (Prada & Orwall, 2002, p. B1).

The success of Tokyo Disneyland also built up Disney’s expectations. In 1992, the park had earned \$200 million even in the face of a Japanese recession, while the Walt Disney Company itself only made \$299 million altogether (Spencer, 1995). However, there are vast differences between Japanese and French culture that should have been apparent. For one thing, the Japanese theme park is extremely faithful to the American parks, which works well in a country fascinated with other cultures, which had few objections to building such a park. Furthermore, there are at least one hundred theme parks in Japan already, most of which have foreign themes, compared to the handful in France (“Tokyo Disneyland has no crisis,” 1992). Demographics also differentiated the Japanese park; Tokyo had triple the population of Paris and a fifty percent higher per capita income (Herbig, 1998). Perhaps it was no surprise that Tokyo Disneyland did not have any of the problems that occurred at Euro Disney.

Moreover, the past mistakes that Disney originally sought to rectify when planning Euro Disney came from ventures in American and Japanese markets, not a European one. In an article in the *Journal of International Marketing*, Earl P. Spencer (1995) cites Disney’s well-known “determination to never make the same mistake twice,” which has resulted in “new problems [being] frequently overlooked or misjudged” (p. 106). Although Disney learned it should own the hotels outside the park from Disney World in Florida, and that it should own the park itself from Tokyo Disneyland, there were many problems that it was left unprepared for when Euro Disney was built. As a result, Disney not only led the way for other American businesses that decided to open

their own parks in Europe, but it gave them the advantage of learning from Disney's mistakes of commission. For example, Tussauds and Anheuser-Busch decided not to include hotels as part of their Port Aventura park in Spain after seeing what happened to the Disney hotels (Tagliabue, 1995).

Disney today is one of the top media conglomerates in the world, but Euro Disney is still in question. Perhaps it dug itself in too big of a hole by investing so much into the venture—that American-style bigness may have proved too much. However, due to the park's tourist draw and its role as the largest employer in the Paris region, with 43,000 workers, unemployment-plagued France has too much to lose if it allows Euro Disney to go under, which will ensure that it stays in business for the near future (Wrighton & Orwall, 2005). Disney's American theme parks seem to suffer none of the problems that their foreign counterpart has, but the company is aware that the American theme park market is a mature one, while in other countries they are operating in the early stages of the product lifecycle, which still needs to develop (Garrahan, 2005, p. 30). Disney has gained some insight from its mistakes with Euro Disney, as it sought to make its new Disney Studios park and Disneyland Hong Kong less extravagant and more in tune with the local culture. It now sees itself as a company “dedicated to change, employee empowerment and cultural respect and appreciation” (Packman & Casmir, 1999, p. 482). However, it still needs to be extremely careful to analyze all parts of the market in its future endeavors, because another crisis like Euro Disney could turn all of Disney's hopes for further international theme park expansion into fantasy.

CHAPTER FOUR: Looking Ahead:
The Digital Age and the Rising Markets of the East

Having seen examples from the past of failures in international business communication, we now turn toward the future to examine what one can reasonably expect to encounter from a globalized world. There are two major trends that are already ever-present in today's world and only stand to increase in the next few decades. The first is the move toward digitalization, with the Internet becoming the new medium of choice. Secondly, we are seeing a rise of activity from developing economies, as they strive not only to join but also succeed in the global market.

The Future Lies in the Internet

We have now entered the era that Thomas Friedman calls "Globalization 3.0," where "thanks to digitization, miniaturization, virtualization, personalization, and wireless, [anyone] can be processing, collecting, or transmitting voice or data from anywhere to anywhere" (2005, p. 168). The digital revolution has truly changed the way the world does business. In the beginning, companies set up websites, which gradually became more extensive and elaborate and allowed users from all over the world to buy products and services online. Furthermore, the Internet has allowed these companies to control and track every aspect of their business with the click of a mouse. The most adept of these companies have realized that this allows them to provide customized service to consumers, by actually enabling their customers to "serve themselves in their own way...according to their own tastes" (for a simple example, think of Dell computers),

creating what Friedman (2005) calls the “self-directed consumer” (p. 350-51). Companies are thus able to meet the needs of their clients, as well as their own needs, in ways never before thought possible.

In addition to these uses by more traditional organizations, a number of businesses have sprung up as a direct result of the digitalization of the world to offer services that would also be unthinkable otherwise. There are those who provide the infrastructure and hardware for this new technology, but there are also those companies that thrive on the very bonds that the Internet creates with every other part of the world. Examples include search engines like Google and Yahoo, auction sites like eBay, and networking sites like MySpace, whose products can include intangible things like knowledge or friendship (Battelle, 2005). These companies too are taking advantage of global markets, as eBay now receives fifty-one percent of its revenue from outside the U.S., while seventy-five percent of Google’s page views occur in other countries (Hof, 2006).

In terms of communication, this age of digitalization is an unbelievable boon, particularly for business corporations. First off, the Internet allows “unfiltered positions” to be heard by bypassing the traditional agenda setting conducted by media gatekeepers (Sparks-Fitzgerald & Spagnolia, 1999, p. 12). In addition, the two-way flow of communication it offers allows for significant feedback, often almost instantaneously, as is the case with blogs and discussion boards. This speed of the Internet is also greatly beneficial to corporations, particularly in the case of a crisis, as it allows quicker reaction times as well as wide dissemination of information (Sparks-Fitzgerald & Spagnolia, 1999). At the same time, however, this also opens up access to new users from

completely different cultures whose needs may need to be addressed, as with any company doing business outside of its home market.

The Future Lies in Markets of Growing Economies

In the last decade of the twentieth century, several parts of the world were making the transition from a closed economy to a free market system, such as China, India, Russia, and Eastern Europe. By 2000, the “global economic world,” the amount of the world’s population participating in global trade, reached six billion people, compared to 2.5 billion in 1985. As it happened, this coincided with the digital revolution that was “flattening” the world, thus not only leveling the playing field, but also bringing that field directly to these new players (Friedman, 2005, p. 181-82).

The one country that seems as if it will have the greatest effect on the world’s future is the most populous nation, China. Like many of these new economies, China is experiencing an “emerging capitalist class,” one that possesses an ambitious and positive attitude toward the future (O’Leary, 2007a, p. 12). This is still a small segment of Chinese society, concentrated in major cities like Shanghai and Beijing, which are in the first tier of China’s four-tier economic classification system. The main growth in consumption in the long run will actually come from those in the lower tiers as they undergo a rapid urbanization and industrialization as China prepares to create a multitude of new landmark cities in the next few decades (O’Leary, 2007a).

As a nation with a strong history of innovation and prominence, China seems to be exhibiting “ambitions to catch up to its rightful place in modern consumer society” (O’Leary, 2007a, p. 14), and there are many indicators of the takeoff of middle class

consumer spending. Credit card ownership is at twelve million compared to three million two years ago; meanwhile, 4.1 million of China's 100 million cars were sold in 2006. Another important consideration is that this is the generation of "Little Emperors," the single children born out of Mao's population control policies, who have been raised "with a sense of consumer entitlement" (O'Leary, 2007a, p. 16).

Chinese consumers are particularly attracted to luxury items, considering them to be marks of status, especially in a country where the idea of "face" is very important. Goldman Sachs has reported that China will pass Japan as the largest luxury market in 2015, with a twenty-nine percent share (O'Leary, 2007a). However, there is still a demand for "culturally relevant products" (Fowler & Marr, 2005, p. B1). Thus the reason for the trend toward conducting research and development in China itself, as Proctor & Gamble has done through an affiliation with the prestigious Tsinghua University in Beijing, while L'Oreal has set up its own R&D facility in Shanghai to focus solely on the Chinese consumer (O'Leary, 2007a; O'Leary, 2007b).

China's budding consumers are also merging with the Internet, which is enabling them to do a wide variety of things with an even wider amount of information. The Internet has certainly contributed to the growing capitalism among the Chinese, as \$36 billion was spent online in 2006 (O'Leary, 2007c). Furthermore, it has a great democratizing power in a still authoritarian nation; Google's Kai-Fu Lee, head of Chinese operations, predicts that the Internet will "level the playing field for China's enormous rural underclass" (Thompson, 2006, p. 64), particularly for students, who can access educational materials from around the globe. Chinese Internet use grew by twenty-three percent in 2006 to 137 million users, which is 10.5 percent of the population, and it

is predicted to surpass the U.S. in the next two years to become the largest Internet market in the world (O’Leary, 2007c).

Many Chinese also believe that the Internet will change Chinese politics, making the process more transparent (Schrage, 2006). According to Kai-Fu Lee, however, the Internet’s ability for public speech appeals more on the level of personal expression rather than political expression (Thompson, 2006). Although there may be a growing sense of individualism, it is a “peer-endorsed individualism,” tying back to that concept of “face” (O’Leary, 2007b, p. 25). Even with politics aside, the Internet revolution in China can at least be described as one of “self-actualization,” with the new ability to speak publicly about a variety of topics becoming part of a “daily act” (Thompson, 2006, p. 64).

China certainly presents a very complex case, however, for any corporation that desires to do business with it, as it is considered to have as many as 31 different markets (Chang, 2007), although these are also spending more than \$700 billion (O’Leary, 2007b). China’s authoritarian structure also poses a moral quandary for many firms, but the country’s economic stature and promise usually leave little choice, even for a company like Google whose motto is “Don’t be evil.”

Google: A Case Study for the Future

Google is a perfect example of a company that is taking advantage of both of these new trends. As mentioned before, its existence was dependant upon the very creation of the Internet, and the global reach of that network allows it to spread itself to all corners of the globe in order to fulfill its goal to “organize the world’s information and

make it accessible” (Battelle, 2005, p. 248). An American company, Google has attained worldwide recognition quicker than any other brand, and it has even become an everyday part of the language in German (googelte), Finnish (googlata), and Japanese (guguru) (Vise, 2005, p. 146). It has 136 international domains offered in 116 languages, which draws more than 380 million users globally, and *BusinessWeek* ranked it twenty-fourth out of 100 in their Top Global Brands (Datamonitor, 2006). In 2005, it had one billion searches per day running through its system, most from outside the U.S. (Friedman, 2005).

Google has sixty-two offices, and one-fourth of its employees work abroad. In the fiscal year 2005, the UK made up 14.3 percent of total revenues, reaching \$878.1 million, more than double the previous year. The “Rest of the World” category brought in 24.5 percent of total revenues in 2005 with \$1503.6 million, which was also a more than a twofold increase (Datamonitor, 2006). Its strong brand image has helped the company to release an extensive line of products such as Gmail, Blogger, the social networking site Orkut, and mobile services. According to CEO Eric Schmidt, “the sum of [Google’s addressable] market, if you include the large companies and the small companies throughout the world, is the world’s gross domestic product” (Battelle, 2005, p. 247-8).

As early as 1999 Google was forging its global ties, offering web search services for Virgilio, a major Italian online portal, as well as teaming up with Chinese portal NetEase and Biglobe portal in Japan in 2000. It also decided to provide a search engine that used languages with characters, like Chinese and Japanese. The next year it introduced wireless search technology for i-mode mobile phones in Japan, and made agreements with Lycos Korea and Universo Online in Latin America. It also started

opening new sales offices around the world so that it could match the rising demand for its advertising programs, which is how it makes its money. In 2004 Google reached an agreement with AOL Europe to allow British, French and Germans to access it. By 2005 Google had opened a product research and development center in China, persuading Microsoft's Dr. Kai-Fu Lee to jump ship and lead the new China initiative, and it had designated three Chinese companies to be resellers for its AdWords program (Datamonitor, 2006). Google also bought a 2.6 percent stake in the Chinese search engine Baidu.com in 2004, which had referred to itself as "China's Google." Baidu's stock was highly desired when offered to the public the next year (Vise, 2005, p. 278), although Google sold its stake in the company in 2006.

Big Trouble in Big China

Several years ago Google became determined to make its own entry into China, although this was proving to be both a difficult and controversial endeavor, as other American Internet companies had already drawn heat for capitulating to the Chinese government's demand for censorship of search engines. Meanwhile, the country had installed a massive censorship infrastructure, commonly known as the "Great Firewall of China" (Battelle, 2005, p. 204), which would filter their content coming from outside the country anyway. It is interesting to note that the Chinese government is actually rather upfront about its censorship policies and even bestows annual "Self-Discipline Awards" upon domestic Internet service providers. This is part of its promotion of "self-regulation," as it believes that "self-censorship is always far more comprehensive than formal censorship" (Thompson, 2006, p. 64). The other American Internet companies accepted this, arguing that they had to comply with the government's wishes in order to

access the enormous Chinese market and to be able to offer it their services (Datamonitor, 2006).

Google originally offered its regular Google.com search engine, which, although operated outside the country, is accessible in China and reaches thirty-three percent of the 110 million Chinese users (“The Internet,” 2006). However, although it held no legal weight against Google, which was not based in China, the government still attempted to block and filter content, and service was often slow and unreliable, with users even being redirected to local Chinese search engines. This was frustrating for users and also resulted in a decline of Google’s Chinese market share to below thirty percent, while its rival at the time, Baidu, had risen to forty-six percent (Schrage, 2006).

In 2004, Google also offered a Chinese language version of Google News, which China quickly blocked completely because it used news sources deemed unacceptable to the government. Google rushed to negotiate with officials, and eventually the news service was brought back up, though without the objectionable sites. According to Google’s official explanation, if it left the forbidden sites in the news index, it would result in a “poor user experience,” because clicking on links to such sites would only bring up annoying error messages (Battelle, 2005, p. 206). This action by Google resulted in a lot of talk in the press, as well as online, of course, in popular blogs. Google spoke out on its own blog, utilizing the speed of digital technology in responding to a potential crisis. CEO Eric Schmidt declared that it would be “arrogant” to begin their business in China by coming in and “tell[ing] that country how to behave” (Battelle, 2005, p. 288).

Also in 2004, Google started bringing in experts on China from all over the world to its headquarters to discuss the best way to enter that market while staying true to its

“don’t be evil” motto (Battelle, 2005). In the views of the Google founders, not having Google at all in China would be a “disservice” to the Chinese population, even if the company was not satisfied with the current censoring (Battelle, 2005, p. 209). At least, in their point of view, they would be going into to the Chinese market not looking to grab the biggest share, but looking to “do the most good” (Battelle, 2005, p. 209). As a result, Google created its Google.cn search engine, whose servers are based in China and thus subject to the government’s control. It has kept its other services, though, like Gmail and Blogger, hosted outside of the country. Google also estimated that fewer than two percent of web searches being conducted in China would have filtered search results, simply from the preponderance of local content that was being searched (Schrage, 2006). Although Google’s founders acknowledge that their Google.cn service “compromises [their] mission,” they also recognize that “failing to offer Google search at all to a fifth of the world’s population...does so far more severely” (McLaughlin, 2006, paragraph 4).

Google’s Policy

Just as Google was singled out from the other search engines for its actions in China, it sought to differentiate itself on its own terms with a few key factors. First of all was its policy of disclosure, where it notified Chinese users whenever search results had been omitted, meeting users’ desire for honesty and transparency. Secondly, it was committed to the privacy of users, which was why it did not offer any of its services like Gmail and Blogger, which hold personal information, through Google.cn. Finally, it would still offer the original Chinese language Google.com, meaning that Google.cn was simply an additional service (Schrage, 2006). Google still hopes to be able to add on additional services if conditions in China change, and it is keeping a close eye on them

(Schrage, 2006). These three policies follow from some of Google's main tenets, the first of which is to "satisfy the interests of users." It also believes that "expanding access to information...will make our world a better, more informed, and freer place." Thirdly, it sees the wisdom in "being responsive to local conditions" (Schrage, 2006, paragraph 8-11).

Google had already created a "consistent global policy and technical mechanism" for dealing with government-decreed illegal content. It has adapted its services to various countries; for example, it does not provide links to sites pawning Nazi paraphernalia in Germany or to racist sites in France, cooperating with local restrictions ("The Internet," 2006). It has also been in support of creating guidelines for all countries on government restrictions of Internet content (Schrage, 2006). Its new policy of disclosure was important for its relationships with its users, because it makes them aware that it is their own country's legal systems that are responsible. Thus, Google can "be respectful of local content restrictions while providing meaningful disclosure to users and strictly limiting the impact to the relevant Google website for that country" (Schrage, 2006, paragraph 40-41), so no ill will will be harbored against it.

Meanwhile, Google's rivals seemed to be turning their backs on users and creating hostility toward themselves. In 2004, Yahoo had given a business journalist's personal email user information to the Chinese government because he had used his account to disclose information about a government document on press restrictions to a pro-democracy site in New York operated by Chinese citizens. As a result, he was put into prison for ten years. Meanwhile, Microsoft gave in to an informal demand of the Chinese government in 2005 to erase the blog entries of a free-speech blogger, despite

the fact that Microsoft's blogging system and all of its data were not based in China but in the U.S. (Thompson, 2006, p. 64). By comparison to these companies, Google seemed upstanding and trustworthy, although it should be noted it was not providing email or blog services, which was what were landing users in prison. Regardless, however, it would actually end up facing the most criticism, particularly from its own home country.

Obstacles for Google

Although Yahoo and Microsoft gave in to China's censorship long before, Google in particular was held in the spotlight. During Congressional hearings its executives were compared to "Nazi collaborators," its stock dropped, and protesters gathered around its California headquarters (Thompson, 2006, p. 64). The criticism it faced was different from that of clothing and electronics companies whose products are made in China; for them, the "'brand' suffers almost nothing" because "the bottom line rules" (Schell, as quoted in Battelle, 2005, p. 209). Google, on the other hand, "whose corporate persona is tinged with the ideology of the early part of [the IT] revolution when values like freedom, spontaneity, independence, and resistance to control were some of the hallmarks of the new movement" (Schell, as quoted in Battelle, 2005, p. 209), seemed to have started at a higher moral ground, and thus was held more culpable for its actions. Its "don't be evil" motto certainly reinforced this.

Criticism of Google has even been expanded to include plans by U.S. legislators to place restrictions on such companies doing business in China and elsewhere, even if these restrictions go against the foreign law ("The Internet," 2006). Part of the proposed legislation would force U.S. companies to keep email servers used for Chinese traffic offshore, keeping the Chinese government from demanding user data (Schatz, 2006).

However, this would provide for a tricky precedent, for if the U.S. government is allowed to restrict companies' operations in other countries due to concerns over dictatorship, it might theoretically be allowed to legislate for other reasons, perhaps even taking an opportunity to impose American values in the process. Conversely though, another problem would be the precedent that offering concessions to the Chinese government sets for companies like Google, who could theoretically negotiate censorship policies with any country that demanded it (Battelle, 2005).

Battelle (2005) brings up a good point, though, which is that if the U.S. government wants to change China's policies, it should not lay the task on the shoulders of private industry, since it is really the only power strong enough to offer leadership on such an issue. Furthermore, this would allow private companies to appear politically neutral, neither becoming entangled in conflicts with governments nor becoming their lapdogs. Google itself is pushing for the U.S. Departments of State and Commerce and the office of the U.S. Trade Representative to make censorship issues, which act as barriers to trade, part of trade agendas (Schrage, 2006).

Meanwhile, criticism aside, Google has been threatened with litigation from other countries, which include France, Germany, Israel, and Italy, in particular over trademark infringement (Datamonitor, 2006). Google also still faces competition from domestic companies. For example, search engine company NHN held forty percent of online ad sales in Korea in 2005, while Google had less than two percent. In this particular case, home field advantage allowed it to provide more relevant search results than Google, and it also created the Knowledge-In program that records millions of answers to user questions on a wide variety of topics (Ihlwan, Woyke, & Elgin, 2006). Baidu, meanwhile,

Google's main competitor in China, also created a service that lets people start and join instant discussion groups based on popular search terms, appealing to the Chinese preference for live interaction, such as chat groups (Thompson, 2006). Such "cultural nuances" made American search engines feel "foreign," and pushed Chinese users toward their own domestic sites (Thompson, 2006, p. 64).

Another American company on the international stage, eBay, had earlier made a similar misstep when it was beaten in its efforts to enter China by a Chinese site, Taobao, which not only was free but also was more "aesthetically Chinese" and allowed chatting between buyers and sellers to facilitate the important Chinese function of haggling (O'Leary, 2007b, p. 25). Google has since teamed up with eBay, becoming the exclusive supplier of Web search advertising outside the U.S., in addition to creating a joint development of click-to-call ads, which bring together potential buyers and sellers (Hof, 2006, p. 8). Such collaborations between companies will also play an important role in the future, especially when it can all be done online, as advanced specialties will be brought together to offer the "next layer of value creation" (Friedman, 2005, p. 353).

Thoughts for the Future

In this environment of digital technology and emerging Eastern economies, what strategies should be employed by companies looking to expand internationally in the future? In the case of China, does a company make concessions to the local people and culture or to the government, who can control that company's access to those people? And what happens when an approach to international markets results in public criticism

in the home market? These types of questions are likely to be faced by such companies in the near future, if they are not facing them already.

In addition, the ethical problems exist not only with the nature of the government of these countries, but also with what effect all these new economies industrializing and advancing at once will have on the environment. This has the potential to be another controversial issue for American corporations doing business abroad, and it will be difficult for them to push for restraint without seeming hypocritical. To make matters more complex, countries like China are also looking for fuel sources from other countries that have even worse reputations, such as Sudan and Iran.

According to Zhao Jing, the blogger whose entries had been erased by Microsoft, Google ranks at the top of the U.S. search companies, as it was “genuinely improving the quality of Chinese information and trying to do its best within a bad system” (Thompson, 2006, p. 64). Google.cn was seen as a “necessary first step” by its founders, as “the best way to work toward the results we all desire” (McLaughlin, 2006, paragraph 7). Whether or not, as some claim, Google is simply trying to tap into this extremely lucrative market, just like numerous other companies, its ability to spread knowledge to users indiscriminately is still quite a democratic push, and only time will tell if that spirit will take root in the country’s other institutions.

CHAPTER FIVE: Conclusion

Hartley (2001) identifies three C's, "complacency, conservatism, and conceit," which can hinder corporations, even those that are leaders in their industries (p. 349). Business consultant Michael Hammer states that one indicator a company is "in trouble" is when they continually talk about "how good they were in the past" (Friedman, 2005, p. 451). In contrast, he maintains, "the hallmark of a truly successful organization is the willingness to abandon what made it successful and start fresh" (Friedman, 2005, p. 451). This seems to have been difficult for American companies like Coca-Cola and Disney to do, particularly in the case of international expansion. America has largely been responsible for progressing the public relations field, and it holds assumptions of its own superiority in business models. An "astute practitioner," however, "recognizes his or her competence in the U.S. does not necessarily translate to competence in other countries" (Howard & Matthews, as quoted in Zaharna, 2000, p. 91).

Both Coca-Cola and Disney are seen as quintessentially American corporations, whose global expansions have even been viewed as thinly veiled attempts of Americanization. In their respective cases, they each suffered from the perceived threat of American culture and bigness in the form of "Coca-colonization" or "Disnification." For both companies, outdated or ineffective international strategies were at the heart of the problem, involving conservative management and the belief in the easy transfer of American practices to other countries, drawing on that "arrogance of success." Coca Cola's reliance on a universal global marketing strategy, tied to former CEO Ivester, was a major source of difficulty. Taylor (2000) notes that it may not have been brought about

by arrogance necessarily but an “inability to accurately understand and react to the complex cultural dynamics of the European marketplace” (p. 289). The rational worldview held by top management became impossible to apply to the unpredictability and diversity of global markets.

In Euro Disney’s case, its major mistake was following the “American business’s tendency to assume the transferability of culturally loaded business models,” particularly “the codification and protection of organizational procedures...[which] results in an approach to overseas business interactions which can easily become domineering and rigid” (Packman & Casmir, 1999, p. 476). Disney certainly held a domineering attitude with its perceived superiority, which rubbed the proud French the wrong way. In addition, Packman and Casmir (1999) note that Euro Disney even “attempted to function as separate from their environment,” which served to further the gulf between it and the French people (p. 480).

Both Coca-Cola and Euro Disney’s traumatic experiences can offer lessons for multinational companies. There is a strong need to understand that “cultural variability, recent events, and societal tolerance of risks” can affect the way global markets respond to a crisis and an organization’s efforts to manage it (Taylor, 2000, p. 290). In addition, companies must clearly avoid the ethnocentrism that assumes that any strategy for their home countries will naturally work in other regions (Taylor, 2000). Hartley (2001) recommends that a corporation that wishes to expand internationally must “tread carefully, tone down inclinations toward arrogance, and be subtle and patient in seeking acquisitions on foreign turf” (p. 23).

Disney is currently looking to expand further in China, hoping to spot a park on the mainland, preferably near Shanghai. It sees this as an opportunity to make a bold entry into a new market, and the Chinese government is in favor of the project, due to its potential to increase employment and economic growth (Marr & Fowler, 2005). However it still has such issues to face as the wide disparity in income levels. Disney is also looking to South Korea as a possible site for a new park. Even though it believes that “the family values it stands for are relevant in any part of the world” (Fowler & Marr, 2005), the success of a new park is still by no means guaranteed. Interestingly enough, though, in a fitting collaborative effort Disney has been advertising for its Chinese TV show on cans of Coca-Cola (Fowler & Marr, 2005).

As for Google, it has reached worldwide recognition in a remarkably short timeframe, and the technological nature of its products and services has not left much of a national stamp upon it. Not that ethnocentric arrogance is likely to be a problem for it, as it embodies none of the three C’s that Hartley has described. Indeed, it is committed to innovation, which should give it great flexibility as it continues to expand in new markets.

Third Culture Building

As a final note, although globalization may be bringing about a divergence effect, cultures will be just as imprudent as businesses if they refuse to allow their interactions on the world stage to bring about a modicum of change. Although Disney stubbornly retained its established protocol in Europe, perhaps France too can be held accused of a certain degree of conservatism itself. Cultural critic John Andrews maintains, “any culture or nation that does not come to grips with the technologies changing our lives is,

quite literally, living in the past” (as quoted in Lainsbury, 2000), which is a fitting analogue to Hartley’s 3 C’s for corporations. In addition, Norwegian media researcher Helge Ronning has suggested that “American popular culture is becoming everyone’s second culture,” resulting in a “certain cultural bilingualism” (Gitlin, 1992, p. 1). This coexistence is important, as it shuns the notion that cultural exports can only result in “the stark binary form of a zero-sum game” (Kroes, as quoted in Lainsbury, 2000). As one member of the French government delegation put it, “just because an amusement park will open, university students are not going to stop studying Sartre” (Rudolph & Gomez, 1991, p. 49). Disney’s sole international success, its park in Tokyo, was described by anthropologist Aviad Raz as partially the result of a “subtle local adaptation that lets Japanese people appropriate Disney’s characters and Americana for themselves” (Fowler & Marr, 2005, p. B1). Casmir describes this resulting process as “third culture building,” which “involves mutual learning, a cooperative dialogue and building experience,” instead of a “one-sided” effort (Packman & Casmir, 1999, p. 485). This resonates with Friedman, who stresses the importance of glocalization, whereby a culture takes in “foreign ideas and best practices,” combining them with its own system of doing things (2005, p. 325). This process bestows an advantage on such open cultures in a globalized, shrinking world.

China will certainly find itself tested by this. Its burgeoning middle class, “a class that prides itself on being cosmopolitan rather than nationalistic” (Thompson, 2006, p. 64), will most assuredly embrace the knowledge and benefits to be derived from exposure to other cultures. However, if its authoritarian government stubbornly clings to its conservative ways, it will likely only hold China back (albeit barely). Fortunately,

though, the cooperative and collaborative process has already begun, particularly in science and technology, and China's desire to become a formidable world economic player offers a good chance for the scales to tip in favor of democratic progress.

Applied back to business again, Casmir's third culture building model stresses the "importance of creating organizations that reflect the needs and values of the culture in which they are to function by avoiding the creation of a 'mere replica,' and still providing the unique contribution intended by its founders" (Packman & Casmir, 1999, p. 486). Nonetheless, Zaharna (2001) points out that "cultural assumptions are notoriously elusive to its own members" (p. 146). It may be hard to break out of old patterns, to see the world from different eyes. Successful international businesses, however, will be able to "act global, think [multi]local" (de Mooij, 1998, p. 299). Of course, this is more complex than simply adopting the policy of "When in Rome" and will require a solid understanding of local cultures and how they fit in the larger global context. But there is no longer any excuse for a business to ignore the role of culture in communication; as has been illustrated in this paper, even giants like Coca-Cola and Disney have been laid low for taking the superiority of their own way of doing things for granted. As the digital age continues to advance, and nascent economies join in with the rest of the world, that world will only shrink further. Great will be those companies that take advantage of this, who are flexible enough to appeal to the various markets now just a mouse click away. Even greater still, however, will be those companies that reflect the needs and values of these markets' individual cultures, not simply existing alongside them, but finding ways to merge with and become a part of them.

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