Everything Starts With Culture

Tons of people are broken by overseas logic. By Gail Dutton

The Russian mafia struck in 1997, murdering one of Ron Cruse’s Russian partners. Besides coping with the loss of a friend, Cruse had to quickly determine whether the hit was a message to the company or whether it was strictly personal.

The future of his logistics operations in Russia depended on it.

By the time Cruse was faced with that situation, he had built a history of successful operations in difficult places. Cruse, the founder of Logenix and, before that, Matrix, was among the first logistic providers to enter Russia. He’s the guy who stumbled across the “Oil for Food” scam in Iraq and has worked successfully in some of the most corrupt and war torn regions of the world, developing keen instincts and learning more than a few lessons about defending the enterprise.

One of the lessons he’s learned is that what affects the supply chain has repercussions for the entire organization. Defending the organization from the blows of miscommunications, local beliefs that counter Western logic, or other missteps can make the difference between operating successfully in a region, or not operating there at all. Sometimes, it makes the difference between life and death, or freedom or a life spent in a foreign prison, depending upon the situation. The concept is fundamental, but putting it into practice can be tricky, even for organizations with tons of international experience.

The other lesson—the big one—is that, “Everything starts with culture,” Cruse says. “Understand where you’re shipping.” If you don’t, the blowback could include not operating in a particular region, fines, lost opportunities, a bad reputation or even jail time.

One of the challenges is that in many parts of the world, Western logic simply doesn’t apply. “Tons of people are broken by overseas logic,” Cruse says. Consider the Islamic phrase, “Ensh Allah,” which means, “God willing.” It doesn’t sound like a warning, but it can become the equivalent of the Latin American phrase, “mañana” (later) where mañana never comes. Or, it can mean a total abrogation of personal responsibility.

Using that logic, if something is pre-ordained, it will happen regardless what the individual does. Therefore, it doesn’t matter whether anyone obeys traffic laws or...
In the 2002 report, the work ethic in Benin, Belgium, and Denmark were among the best in the world. Benin scored 0.4, Belgium scored 1.2, and Denmark scored 2.0. The U.S. scored 7.0 (down from 4.0 the previous year), and Bahrain scored 15.9. With such broad differences, organizations can’t expect the same work ethic abroad that they experience in the U.S. Sometimes it will be better, but often it will be far worse and can lead to significant delays that, ultimately, affect the organization’s reputation. Know what’s likely and plan for it.

Accommodations

"Depending on where you are, written regulations don’t mean a thing," Cruse points out. That doesn’t mean shippers and carriers can ignore them, but it does mean that organizations must learn how business is accomplished locally and find legal ways to get things done. To illustrate, he says, “Organized crime is illegal everywhere, but in Russia it is part of the operating economy. In Japan it is semi-legal." In fact, in the first case of this kind in Japan, the Dojinkai, an 85,000-member branch of the Yakuza—the Japanese mafia—is being sued by a neighborhood association for breaking the societal rules of living in the neighborhood. Clearly, the best defense is to understand the local conditions and to learn to work under those conditions without breaking the law.

Finding a balance between legality and efficiency can be tricky, but the Foreign Corrupt Practices Act does include a gray area that allows companies to make facilitation payments. "In Egypt, a customs official makes about $200 a month. Until you change the pay structure, efforts to end corruption won’t happen," Cruse predicts. That insight is reinforced by the 2008 assessment of Transparency International. That report highlights what it calls “a fatal link between poverty, failed institutions and graft.” Even among the wealthiest nations, however, the strength of oversight organizations is at risk, according to Transparency International.

It also is clear that not everyone plays by the same rules. Many countries aren’t bound by anti-corruption frameworks, and for others, the idea is new. For example, until 1998, when Germany signed the OECD anti-bribery pact, payoffs were legal for German companies, Cruse notes.

That culture isn’t swiftly changed. Siemens is a recent example. Last December, it paid the largest fine for bribery in modern corporate history—$1.6 billion. The company had a bribery budget that ranged from $40 to $50 million per year between 2002 and 2006, and involved officials throughout the world. Bribes were paid not only in developing nations, but even in Denmark, one of the most transparent countries in the world. In the past few years, the EU has cracked down on corruption, but it still exists. "If you think corruption is just a developing world thing, you’ll get suckerized," he says.

Communications

One of the most fundamental defenses is to "know how to communicate well," Cruse insists. Consider, as a cautionary tale, Secretary of State Hillary Clinton’s presentation of a “reset” button to Russian Foreign Minister
Sergei Lavrov. Instead of saying “reset,” it said, “overcharge.” If inaccurate translations can occur at that level, they can happen to you.

In most cases, Cruse says, “You rely on everybody else to speak English as a second language. Let them know you appreciate that, and then make sure you’re not misunderstood.” As he recounts, a mistranslation almost cost him his Russian operations. The early meetings with the two Russian owners of a logistics company that Cruse was considering working with had gone well. However, everything changed after Cruse explained a major requirement that necessitated some complicated rate gathering. As he recounts in his book, Lies, Bribes & Peril—“Sergey asked, ‘When do you need rates?’ ‘To set a date,’ I replied. ‘Impossible,’ Sergey said. The tone hardened. ‘You ask what we cannot do. What no one could do.’ Cruse says he was confused. After a long silence, he asked what they thought he said. The reply: ‘Saturday’ (two days hence.) Then, Cruse understood what had happened. ‘I spoke too fast,’ Cruse explained. ‘What I said was, ‘Set a date,’ not Saturday.’

That exchange became a running joke among the three throughout a sustained and successful partnership, but without that insight, Cruse’s Russian operations would at best have been delayed and at worst never occurred. The lesson, he says, is that if in doubt, or if the conversation takes a strange twist, “revisit the foundation of the dialogue… and ask the other person what they think you said.”

If the situation is very important, having two translators—yours and theirs—present can protect the company from misunderstandings that can generate ill will and lost business if left unchecked. Ensuring an accurate interpretation goes beyond just getting the words right, though. The tone used by the interpreter can change a matter-of-fact presentation into an accusatory one that does nothing to generate good will toward the organization.

The importance of reliable translators was driven home when Cruse’s firm arranged the logistics during the Afghanistan currency conversion process about five years ago. The deal was plagued with a series of snafus in the contracting of planes and helicopters in an operation overseen by a U.N. representative whose expertise U.S. government employees relied upon. Finally, Cruse went there himself to get to the root of the problem.

“It wasn’t resolved until I was on the spot,” Cruse says. In the midst of a public tongue-lashing by a U.S. government official assisting in the conversion, Cruse noticed the U.N. representative, who had also acted as the translator, wouldn’t meet his eyes. It seems the U.N. representative had been arranging everything in his own best financial interests, providing patently false information to both sides in the negotiation. “The translation wasn’t even close,” Cruse recalls. A second translator would have noticed. The issue was resolved when Cruse presented documentation supporting his claims, but the experience nearly cost Cruse government business.

In the currency conversion deal, like so many others, success came by virtue of being there. “If you want to rely on email and telephone, you’ll miss problems,” Cruse stresses. “It’s impossible to tell why being on the spot is so critical, but information can lead you to solving problems you can’t solve if you’re not visiting.”

**Saving face**

The concept of “face” is another element in negotiations that Americans may easily overlook. Helping the other side save face is a defensive strategy that assists in crafting winning situations.

Healing rifts from the U.S., however, “Every longitude line you cross exponentially increases the importance of ‘face,’” he says. The concept extends beyond people or companies to involve nations. Cruse remembers his involvement in implementing the Cooperative Threat Reduction Treaty, which dismantled nuclear weapons in Russia, Belarus, Ukraine and Kazakhstan. Cruse’s company was a subcontractor to Hughes, which was responsible for the maintenance and logistics service bases that were part of the weapons destruction verification system.

The logistical stumbling block occurred when the U.S. insisted that dismantlement equipment remain under U.S. control until it reached the weapons sites, while Russia insisted that the equipment be transferred into Russian hands at that nation’s borders. The impasse was breached when the Russian negotiator learned that Cruse’s U.S.-Russian joint venture partner would handle the delivery inside Russia. In that instance, a simple supply chain solution of having Cruse’s Russian partner on board helped that country save face, which allowed a multi-billion dollar international deal to proceed. “Whenever an endeavor is important, when stakes are at their highest, maintaining face supersedes logical behavior,” Cruse concludes.

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