

CULTURAL DIFFERENCES IN BUSINESS: HOW CULTURE CAN
INFLUENCE BUSINESS OPERATIONS FOR AMERICAN
COMPANIES OPERATING IN SPAIN

by

Taylor Johnson

Submitted in partial fulfillment of the requirements

for Departmental Honors in the Department

of Spanish and Hispanic Studies

Texas Christian University

Fort Worth, Texas

May 3, 2021

CULTURAL DIFFERENCES IN BUSINESS: HOW CULTURE CAN
INFLUENCE BUSINESS OPERATIONS FOR AMERICAN
COMPANIES OPERATING IN SPAIN

Project Approved:

Supervising Professor: Esther Teixeira, Ph.D.

Department of Spanish and Hispanic Studies

In-Department Committee Member: Karla O'Donald, Ph.D.

Department of Spanish and Hispanic Studies

Out-of-Department Committee Member: Chris Kroeger; MBA

Department of Marketing

Department Chair/Program Director: Steven Sloan, Ph.D.

Department of Spanish and Hispanic Studies

ABSTRACT

This research intends to highlight key differences in business culture in the United States and Spain as well as emphasize which differences hold the potential to cause inconsistencies in how executives manage a company. American corporations looking to expand into Spain should acknowledge these differences to help establish what are the necessary potential changes to operations. The key elements addressed in the following pages are values, ethical framework, collaboration and communication, and organizational identity. This research also highlights selected elements in the last section focused on Costco and Netflix's expansion to Spain. Cultural differences play an important role on how multinational corporations implement and manage a business in a new business culture. Each product market is unique, and corporations cannot pinpoint simply one, correct approach to entering a market in a different country.

For example, in the United States, employees are accustomed to working toward the common good of the company. In Spain, the idea of the "common good" resembles the oppressive Franco regime and lack of individual liberties (Argandona, 1999, p. 157). It is important when analyzing company values and how they align with employee values, that American companies consider the lasting impact of Franco's regime on Spain's social dynamics and business culture. One way that American corporations could potentially address this difference in values would be to instill in Spanish employees that when they benefit the company, the individual employees will feel the results of that success. Individual successes will aim to drive the company's progress, while respecting the individualism of the citizens. American employers cannot expect to change the values that have developed from the experiences of a nation. Instead, they can show that companies and individuals can succeed in unison.

It is challenging for a company to change its infrastructure relating to ethical framework to fit a foreign culture. That being said, notable differences in the ethical climate between the United States and Spain exist. Rather than ignoring these differences or trying to completely change the company's framework, American companies can utilize transparency and honesty about their approach to ethics and make ethical behavior a consistent priority for employees and managers to follow. Many multinational companies have endorsed having a global code of ethics which would remain consistent across borders (Schwartz, 2005, p. 30). The meaning behind these strategies is that companies need consistency in ethics. If an American company has a code of ethics in the United States, the corporation is expecting all locations to maintain consistent ethical standards.

It is essential when looking at collaboration and communication that employees share what they learn to enable the curation of knowledge for the company (McAteer & Eimicke, 2019b, p. 186). Although corporations might be very experienced and know how to share information within the company, they are operating in a foreign market with a new talent pool. How can employers show employees that sharing knowledge will lead to success? One way might be to link the Spanish sector of business to the company's mission and make it clear that Spain plays an integral part in the future of the company. Although this branch of the company might represent only a fraction of the corporation, it is responsible for sharing information with the entirety of a company to help with its overall profitability.

Organizational identity is a complex factor in business operations, especially when first establishing the internal framework of a multinational corporation. One of the most influential differences is that of varying degrees of power distance. Spanish culture is accustomed to higher degrees of power distance, meaning that it is common for authority to be concentrated more in

leaders rather than evenly distributed (Khatri, 2003, p. 293). Power distance is an influential factor in a country's culture and business executives cannot change. However, it is possible to attempt to leverage this value through appealing to another, for example, individualism. Business executives might strategize, for example, to appeal to the Spanish employees' desire for individual liberties to make them more comfortable in a workplace with more shared responsibilities and authority. This strategy maintains respect for the country's power distance, but still enables companies to operate in a way that is familiar to the corporation.

The purpose of this research is to examine what factors could potentially impact American corporations as they enter the Spanish business market and show that there is more than one way that an American company could prepare to operate in Spain. Particularly, the analysis will focus on values, ethical framework, collaboration and communication, and organizational identity. The cases of Costco and Netflix, two multinational corporations that have successfully entered Spain, will show the companies' responses to several of the focus points of the research. Inevitably, there are factors that impact multinational business that this research will not address, and the research should not be considered a comprehensive list of all cultural differences between American and Spanish business. The research highlights selected cultural differences between the United States and Spain and clarifies which differences impact business operations. Culture is not something that should be mistaken as a hindrance to multinational corporations but is rather an asset that companies can utilize when they begin operations in a new location.

Table of Contents

I. Introduction	1
II. Values	1
Formation of Values	2
Impact of European Union on Values	3
Using Values as Business Assets	4
III. Ethical Framework	5
Ethical Consequences	5
Commitment to Values vs. Company Loyalty.....	6
Ethical Infrastructure	7
IV. Collaboration and Communication	8
Elements of Communication	9
Establishing Legitimacy through Communication	9
Knowledge Discovery through Communication.....	10
Collaboration with the Value Chain.....	11
V. Organizational Identity	12
Organizational Cohesion.....	12
Power Distance.....	13
Long-Term Orientation, Uncertainty Avoidance, and Indulgence.....	14

Leadership Styles.....	15
VI. Multinational Corporations in Spain.....	16
Costco.....	16
Netflix.....	17
VII. Conclusions	18
References	20

I. Introduction

Culture plays a crucial role in dictating what the infrastructure and operations of a company looks like. The term culture encompasses several important aspects, including values, beliefs, and customs in a society (Bauer & Erdogan, 2019, p. 64). The expectations of the country in which an organization operates impact company policies and internal decisions. For an American company operating in Spain, some of the elements that hold potentially to warrant adaptation to Spanish culture include values, ethical framework, collaboration and communication, and organizational identity. This research focuses on these four specific factors and how they are demonstrated in corporations in both Spain and the United States for the purpose of comparing the business cultures and analyzing how the differences in business operations could affect how a business is run.

II. Values

The first component of business operations that impacts American companies operating in Spain is the differing values across cultures as well as the factors that have led to the formation of these unique views. The values within a company are not only what a company prioritizes but also what employees care about when choosing an employer. Companies want to be sure that those they choose to hire represent their brand and share the same beliefs with the company and will act accordingly, and potential employees feel a sense of belonging for companies whose values they stand behind (Bauer & Erdogan, 2019, p. 87). These values are the factors that outline the expected behavior and differentiate one company from the next, and are subject to change based upon the environment a business operates in. Companies in Spain do not

always share the same values as those in the United States, so it is important to consider differing views when looking to define a brand in a manner that will meet Spanish expectations.

Formation of Values

Spain has faced major changes in recent decades. Spain underwent a civil war from 1936 to 1939. Following that war, the country was under the dictatorship of Francisco Franco for almost 40 years. Franco pushed a restrictive Catholic value system as the values that he claimed represented the “common good” of Spain. His system focused on suppressing individual freedoms. According to Argandona (1999), during this time, Spaniards started to develop very individualistic views, desiring to protect themselves in a way that their government would not. Spanish citizens understood the importance of prioritizing themselves ahead of the desires of the country’s leadership out of necessity, since they were generally instructed to act in the best interest of the nation rather than in their own interests. After the death of Franco and the end of his reign, the nation shifted to a “Western-style approach,” calling for more individual rights, democracy, and equality. The nation had abandoned the idea of working solely for the common good, and instead wanted to establish labor values and economic liberties to protect the nation and the individuals within it (Argandona, 1999, p. 156). In the 1980s and 1990s, Spanish managers were forced to adopt behavioral patterns both within the firm and externally to serve as core corporate competencies and provide structure following the controlling Franco regime (Toral, 2008, p. 520). The major shift to prioritizing business values led to a greater number of large, transnational companies choosing to operate in Spain (Melé et al., 2006, p. 35). Americans looking to work in Spain or wanting to open their own company or branch of a company might wonder: why is Spanish history relevant when working in present-day Spain? The answer is that cultural and historical traits hold the power to cause conflict or create special sensitivities.

Impact of European Union on Values

Spain's entry into the European Union in 1986 had many consequences in the Spanish business environment. The reforms to be expected as a result include privatization, governance and enterprise restructuring, price liberalization, trade and foreign exchange system, and competition (Tarabar & Young, 2017, p. 938). These reforms typically lead to outcomes such as higher income levels and growth rates. It is also expected that if member governments do not adhere to the E.U. monetary union rules, the impacts of their inefficient policies are felt by all members of the E.U. There is also the argument that as one of the highest recipients of E.U. funds, Spain is enabled to use the funds in corrupt networks (Drapalova, 2017, p. 47). Overall, Spain's membership in the European Union impacts not only how the country does business but also the political and economic state of the country.

In Spain, benefits such as compensation for maternity, paternity or sick leave, as well as healthcare or retirement pensions are granted through membership in the E.U (Directorate-General for Employment et al., 2020). In contrast, in the United States most of the aforementioned benefits are received through their employment with a company. The significance of the benefits given by the European Union for American employers looking to expand into Spain is that some of the factors that would go into a competitive benefits package to their employees are no longer their responsibility to provide. Instead of offering desirable pensions and similar plan options, executives need new ways to compete with other employers and appeal to their talent pool, such as appealing to societal values.

Using Values as Business Assets

Competitive benefits packages are one way that American employers provide value to employees. When looking to open a company or expand into Spain, business executives will decide what they can provide to their employees that is not granted to citizens through membership in the E.U. One tactic that employers can utilize is to improve upon their management practices. Better management practices are typically associated with higher productivity and profitability for both companies in the United States and Europe. These practices vary depending on how firms decide to create value in comparison to competitors. In the United States, executives focus on offering competitive pay, a family atmosphere, and a positive presence of community (Bloom & Van Reenen, 2007, p. 1392). Competitive pay and appealing to Spanish values such as individualistic preferences like job autonomy could prove to be more beneficial. For example, if an American company started operating in Spain, would it keep its values and try to attract employees that way, or would it grant more individual liberties to guarantee a response from Spanish workers?

Sharing values within a company creates a firm foundation which allows for flexibilities in resolving issues that result from the complexities of operating a global business, since appealing to core values of employees allows employers to gain their trust and commitment (Yeung & Yeung, 1995, p. 206). Maintaining productive relationships with employees based in trust and respect will help in not only retaining talent but also ensuring that those employed by the company are committed to their jobs. In the United States, if an employee feels that the aspects that they consider important match up with their company, they tend to be more inclined to put in effort and represent the company and its values well. This sentiment seems to be relevant in Spanish business as well, as evidenced by Spanish telecommunications company,

Telefónica, which claims to work to create a company that employees will be proud to work for (Telefónica, S.A., 2004, p. 7-9). Although Telefónica is not an American business, it is still an important example of the criticality of aligning values with employees. Overall, employees tend to be more motivated to work hard when they believe in the company that they are working for and representing.

III. Ethical Framework

The ethical framework of a company includes factors such as codes of ethics and professionalism. It is the guide for company culture and how employees are expected to handle situations and maintain the values that the company aims to represent.

Ethical Consequences

Business in the United States and Spain varies in terms of how ethical decisions are made and what the consequences in relation to ethics. There are two ways, specifically, that business leaders can approach the long-term implications of their actions. In the United States, business executives tend to be more universalistic, viewing situations in terms of right and wrong and leaving little room to consider extenuating circumstances on a case-by-case basis (Valentine & Rittenburg, 2004, p. 8). Spanish executives tend to be more particularistic, meaning they consider what the extenuating circumstances are in each situation (Valentine & Rittenburg, 2004, p. 8). This consideration for unforeseen circumstances is not unethical, but it is more informal, giving Spanish managers the liberty to determine what is acceptable in business. Neither perspective is right or wrong, but they are notable to business leaders looking to move from one culture to the other.

Spain also tends to have less ethical sensitivity, also known as the ethical reasoning in decision-making, which indicates the potential for lower ethical standards in executives (Valentine & Rittenburg, 2004, p. 4). The difference in ethical standards is seen frequently in day-to-day operations of businesses. Factors such as intellectual property rights, insider trading, and bribery are impacted by cultural views, meaning that some ethical problems are not perceived to be issues by decision-makers based on their beliefs (Vitell & Hidalgo, 2006, p. 32). Such a variety of possibilities in how situations are interpreted across cultures is noteworthy for business executives that wish to be successful in a new business environment.

In the same way, there are different factors that influence how a person recognizes moral dilemma, such as social consensus and individual moral philosophies (Vitell et al., 2010, p. 469). American and Spanish society do not share all the same views, so clarification of ethical expectations can help to reduce friction amongst cultures. When assumptions are made regarding what people think is acceptable and unacceptable, there is the opportunity for miscommunication which could potentially harm a company's ethical standing and ultimately halt businesses opportunities.

Commitment to Values vs. Company Loyalty

An interesting characteristic of Spain is that all of Hofstede's dimensions of culture suggest that Spanish managers will follow organizations' codes of ethics, but also imply that employees might consider the company to be more important than the code of ethics (Vitell & Hidalgo, 2006, p. 35). If employees feel that their company would benefit from following ethical expectations, they are unlikely to deviate from them. However, this loyalty to the company above ethics holds potential to cause conflict in ethical decision-making.

When Spanish and American employees are compared, there are consistent results pointing to the notion that overall, judgements and intentions of both are ethical. It is observed that as age and experience increase, so does ethical judgement (Valentine & Rittenburg, 2007, p. 128). Companies that prioritize sharing expertise to assist in training inexperienced executives can therefore benefit from a greater shared knowledge amongst employees, which is helpful to a business regardless of national origin.

Ethical Infrastructure

One way that American executives should try to improve their company's ethical standing in Spain is through formalization of their ethical infrastructure. The main elements of ethical infrastructure are communication, training, and management, and all elements can be enhanced through the inclusion of processes to report misconduct, sanction systems, reward and recognition, and self-evaluation systems (Fernández & Camacho, 2016, p. 116). There are several ways that companies can implement these new systems and conduct training. Some companies prefer in-person training seminars, while others will opt for online webinars and classes¹. Some of the most important factors in effective training are frequent attention, measurement of outcomes, and effectiveness of trainers (Weber, 2015, p. 36). When companies only host training semi-annually or just during the initial company training process, they are not dedicating the time required to have a lasting impact. Companies should follow training with

¹ It is necessary to consider the potential implications of Covid-19 on ethical infrastructure and training. Throughout the pandemic, many companies have moved their employees online to a virtual workplace, rather than risking exposure to others in the workplace. This would mean that all training would need to be postponed indefinitely or moved online as well. Some would argue that companies should wait to complete their training so it can be held in person. However, ethical business decision-making is incredibly important during such a complicated time, making ethics even more important during a crisis (Volkov, 2020). Companies continue to work to maintain effective training through a safe, virtual format, until it is safe to make the decision of whether employees will return to work in person.

some form of measurement to evaluate the effectiveness of training and the takeaways of employees to ensure that the training succeeded in its intended purpose. Finally, there is the debate between internal and external trainers. When employees are trained by another employee of the company, they might get a more personalized training. However, external trainers tend to be more experienced and easier to talk to about sensitive topics. Whichever option a company goes with, it is important to measure the trainer's effectiveness after training.

Technology also plays a role in improving positive internal and external outcomes as well as spread of ethical values. It is important that there is visibility of ethics in making decisions associated with product, service, and organizational innovation. With this transparency in policy, companies can improve their stakeholder involvement and social accounting, which helps companies to remain true to their mission (Brusoni & Vaccaro, 2017, 225). A company's mission is, in short, what the company believes to be its purpose and what it wishes to accomplish (Bauer & Erdogan, 2019, p. 541). When companies stay on target with their mission, they are maximizing their potential to accomplish what they are striving toward in a way they can be proud of. Ethics is a factor of business that varies significantly across cultures, so ensuring a strong ethical framework is essential to maintain consistent ethical expectations and actions for an American company operating in Spain.

IV. Collaboration and Communication

Collaboration and communication are crucial in the research and development of products. Companies have the ability to choose the level of importance they desire for each corporate level to have when innovating and decide the desired input from the various members of the value chain. Communication is key in the spread of knowledge throughout a company,

whether that be internal knowledge of the company or information regarding the business environment.

Elements of Communication

The formal values for communication include mission, vision, and code of conduct, while informal elements for communication include conversations between employees, stories, and language (Fernández & Camacho, 2016, p. 116). Overall, every employee of a company utilizes communication daily. Formally, they follow the guidelines outlined in their company's mission statement, vision statement, and code of conduct. Informally, they use communication in every conversation, whether that is with customers, suppliers, coworkers, or others. For American corporations operating in Spain, awareness of how communication is utilized helps to ensure that its methods are effective in the business environment. The importance of effective methods of communication is not unique to operating internationally and is a necessary tool. However, with a new business environment which includes a unique talent pool and consumers, it helps to have a clear understanding within a company so that all communication to people outside of the corporation understand what the overall goals of the company are.

Establishing Legitimacy through Communication

One way communication can be utilized is to establish legitimacy and create a name for the company that will be recognized and respected. The way to improve upon this is by becoming more identified with symbols, values, or institutions, then once social legitimacy has improved, local support for the organization follows (Dowling & Pfeffer, 1975, p. 127).

Legitimacy links organizations to society, and organizations can be impacted by it depending on their social and political support as well as how visible they are in the marketplace. Legitimacy

can also be improved through collaborating with respected members of society, choosing to utilize co-optation. This strategy includes bringing political leaders or other respected individuals onto organizations governing boards (Dowling & Pfeffer, 1975, p. 133). An American company, looking to establish its place in Spanish society without the connections that it would have in its native country, will want to use every avenue at its disposal to create its position in the market.

Knowledge Discovery through Communication

Companies can also seek out as much knowledge as possible to understand the market and their new customers and employees. One thing that executives might consider prioritizing when there is a lack of expertise is new knowledge discovery. Many firms rely on recruiters and talent search firms to find their employees. A specific talent development plan is needed to maintain competitive advantage (McAteer & Eimicke, 2019a, p. 134). American companies cannot simply replicate what they had done in the United States, they should try to understand who they are marketing themselves to as an employer and appeal to the local talent pool. Another important task is the curation of knowledge. An understanding of internal and external knowledge that relates to business is important to a new company, as early successes and failures are crucial opportunities to learn. This knowledge is often learned by staff working closest with the problem, which is why knowledge sharing is essential. It is valuable if leaders know how to guide discussions to enable peer-to-peer dialogue (McAteer & Eimicke, 2019b p. 189). Within companies, the informal aspect of communicating with colleagues plays an important role, as it allows people to share what they have learned on the job. Business leaders could encourage their employees to talk and share essential information with each other as a way to enable company success in a new marketplace.

Knowledge discovery can lead to gains in the foundation knowledge, most of which occur while working as a professional in the specified field (McAteer & Eimicke, 2019a, p. 137). Companies that want to be successful are constantly seeking knowledge and breakthroughs in an evolving competitive landscape. Overall, a company will grow and adapt its core foundation knowledge as it evolves to ensure the inclusion of new knowledge domains in the company's structure. This growth happens on a large scale when operating in a foreign country, as none of the initial background knowledge was gathered first-hand while working in the foreign business realm. As employees work and learn more, they disseminate what they learned to others within the company. Companies are discovering that the diffusion of power to the employees working most closely with products and customers enables employees to make decisions on the spot (Yeung & Yeung, 1995, p. 208). Global competition has enabled customers to have the power to influence suppliers and impact the quality of the products and services they are purchasing.

As part of a low power distance culture that prefers to engage all members of a company in decision-making, businesses in the United States are accustomed to this form of knowledge sharing (Hofstede Center, 2020). This means that American managers and employees have experience with sharing the information that they learn on the job and communicating with each other to assist in the curation of knowledge. The difference for managers operating in Spain is that instead of knowledge curation through communication being an added asset to a company, it is a necessity to learn how to operate efficiently in a new environment.

Collaboration with the Value Chain

Once companies have mastered communication within their own company, they can decide how much input they would like to give each member of the value chain. According to

Blau (2010), European countries traditionally tended to be more secretive about their research and development efforts. This, however, has changed as exemplified by companies such as Telefónica, which focuses on collaboration with various members of the value chain such as operators, suppliers, and even customers (Blau, 2010, p. 2). Rather than only considering input from high level executives, successful Spanish businesses, like Telefónica, engage the entire value chain in the process of innovation and development of new products and services. Spanish organizations consider each step in the value chain to be an asset and have learned that collaboration can be a very powerful tool. The reason this is important for an American company has more to do with who is involved in the supply chain, than how the corporation interacts with it. Today, supply chain management is a critical part of business functions worldwide. However, if a company is operating in Spain, it is a fair assumption that it will see an increase in Spanish consumers. This will mean that the companies will have to be open to collaboration with an entirely different buyer pool than they have previously had experience with.

V. Organizational Identity

Organizational management and structure include the various factors that make companies unique. These factors are also unique for each culture, and include power distance, masculine vs. feminine leadership styles, uncertainty avoidance, long term orientation, and indulgence. These are the guiding factors in how an organization is structured and what the company environment is like.

Organizational Cohesion

To ensure that employees can operate efficiently together, managers can prioritize cohesion amongst the organization. Managers should first understand the firm's identity in terms

of the employees that make it up, since their work experience and socialization will factor in to reproducing the organizational identity in a foreign market (Cayla & Peñaloza, 2012, 43). For the purposes of this research, this means that a company cannot successfully recreate its personal brand and identity until it understands how Spanish culture and employees will fit into that image. It is important that the company first understands its staff before setting its own organizational identity. The conflict with this arises when American managers feel that the perceived values of their company do not align with foreign views, or Spanish natives think the corporation lacks in cultural intelligence and appears to be culturally insensitive (Cayla & Peñaloza, 2012, p. 43). It is crucial to find the balance between appealing to their consumers and staying true to the brand. Things such as symbols and phrases can often be misunderstood or lost in translation. It is important that companies are flexible and willing to adapt these aspects to assimilate better into the culture, while holding strong on factors that cannot be compromised, such as a mission statement or core values.

Power Distance

In societies with high power distance, an unequal distribution of power is considered acceptable, while societies with low power distance desire a more equal share of authority (Bauer & Erdogan, 2019, p. 68). In cultures with higher levels of power distance, organizations are expected to be more hierarchical, and managers typically hold significant authority (Khatri, 2003, p. 293). Spain has high power distance (Hofstede Center, n.d.), As a result, authority in Spanish business tends to be distributed more heavily to the high-level executives than to other, lower ranking employees (Back, 2012, p. 30). In a typical Spanish company, organizations are run from the top down, meaning that the boss is the decision-maker and is expected to be strong and consistent (Bosrock, 2006, p. 400). Spanish managers tend to demonstrate characteristics

such as inspirational, team-oriented, and modest, while characteristics such as being self-centered, malevolent, or autocratic were less common (Chhokar et al., 2013). The United States ranks lower in this category, as Americans desire more equality between different levels of leadership and society (Hofstede Center, 2020). This means that the United States is less tolerant of having strong authority figures in business who hold a large portion of power, favoring spreading out power amongst employees. If an American company began operations in Spain, it could be beneficial to consider how its leadership styles would be interpreted from the perspective of Spanish employees.

Long-Term Orientation, Uncertainty Avoidance, and Indulgence

Countries with low uncertainty avoidance are tolerant of ambiguity, whereas high uncertainty avoidance indicates a preference for predictability (Bauer & Erdogan, 2019, p. 70). Spain exhibits a very high score for uncertainty avoidance, preferring rules and stability over risk taking, and is normative in terms of long-term orientation, preferring to focus on the present rather than planning too far into the future (Hofstede Center, n.d.). This emphasis on the present does not indicate a lack of forethought from Spaniards, but rather their confidence in the system in place to ensure their security in the future. Spaniards do not rely on their employer to provide them with healthcare, pension, or other benefits that are common to companies in the United States. The European Union utilized the social security payments from citizens to cover the expenses for these benefits and provide to their citizens (Directorate-General for Employment et al., 2020, p. 5). This exemplifies the country's high uncertainty avoidance in that their futures seem more secure, and benefits have already been prioritized separately from career.

The U.S. differs from Spain in that it is low in uncertainty avoidance and long-term orientation (Hofstede Center, 2020). These scores indicate that Americans are more accepting of innovative ideas and opinions, as they are more comfortable in unpredictable situations (Bauer & Erdogan, 2019, p. 70). Hofstede Center's analysis also indicates that in terms of indulgence, the U.S. scores high, meaning that Americans tend to give in to their impulses more than less indulgent cultures like that of Spaniards. When thinking of this factor combined with the fact that the U.S. is a more normative society, it shows that Americans tend to be focused during work but give themselves more liberty in their free time to do what they like (Hofstede Center, 2020). Managers do not have to worry as much about the indulgence factor of countries, as Americans and Spaniards alike have exhibited low levels of indulgence in professional settings.

Leadership Styles

Spanish companies tend to favor traditional masculine management styles, preferring more assertive, dominant roles (Montolío & Ramallo, 2009, p. 416). These management styles exist within a heteronormative framework and in a strictly theoretical concept. This idea of masculine and feminine leadership styles implies that masculine methods are more based on the task at hand and what needs to be accomplished, whereas feminine styles place more emphasis on developing relationships (Bauer & Erdogan, 2019, p. 70). This is not to say that women cannot lead companies in Spain, but rather that leadership styles will play a major role in their success in those executive position. It is important to note that leadership styles are interchangeable, meaning that men can utilize feminine leadership styles and women can use more masculine styles. Relationships can be instrumental in establishing trust within an organization, but clear leadership and direction are effective methods for executives. These are all major contributors to the operations of a corporation in Spain.

VII. Multinational Corporations in Spain

Today, there is a wide range of United-States based corporations functioning in Spain. American corporations are represented in many markets, from franchises like McDonald's and Burger King to grocery stores like Costco and streaming platforms like Netflix. Two recent examples of successful transitions to Spain are Costco and Netflix, which opened in 2014 and 2018, respectively.

Costco

Costco, a popular American supermarket chain, opened its first Spanish location in Seville. One of the main contributors to the corporation's success was its use of values as business assets. A 2014 news publication documented Costco's expansion into Spain in 2013. The company offered an average starting salary of 25,000 euros a year which was more than double the Spanish minimum wage at the time. Costco found that by offering competitive pay, it was well received by Spanish employees and had approximately 148,000 applicants for the stores first 250 jobs (González, 2014). Costco was already established in the United States when it entered Spain, and it offered Spanish employees a high salary compared to the minimum wage at that time. This strategic business decision of appealing to the talent pool through competitive pay proved successful.

Another way that Costco exemplifies its preparedness for entering a foreign market was through its dedication to collaboration and communication, specifically referring to knowledge discovery. According to González (2014), when Costco first opened in Seville, the company sent employees to Spain to discover which products meet the corporation's standards and also align with Spanish preferences. In the Spanish location, Costco offers products such as jamón ibérico

and Spanish olives, products that are not found in American locations but are popular in Spain (González, 2014). This information was passed directly from employees with firsthand experiences to Costco executives in charge of getting the products from suppliers. Without the impressive level of communication Costco displayed, the company would not have known which products would succeed and which would fail in a foreign market.

Finally, another strategy that Costco used to ensure that the standards of the corporation were upheld in a foreign market was through clear publication of the company's ethical framework through the code of ethics. On Costco Wholesale's official website for the Spanish location, there is the company's code of ethics that is based on four main pillars that are consistent across borders in all Costco locations: obey the law, take care of partners to the company, take care of employees, and respect suppliers (Costco Wholesale Corporation, 2020). These tenets are something that Costco will not change or compromise on, so it is transparent about its stance on ethics and expectations in all markets.

Netflix

Netflix is another example of an American corporation which has transitioned operations to Spain, opening its first production hub in Madrid in 2018. One of the most strategic aspects to this venture was announced by Netflix in a 2018 statement, communicating that the company would partner with Grupo Secuoya, an audiovisual leader in Spain ("Netflix establishes", 2018). One of the main advantages to this strategy is that Grupo Secuoya has an already diversified value chain in Spain. Since Spanish companies tend to focus on collaboration with members of the value chain such as operators, suppliers, and even customers, it benefitted Netflix to connect with Grupo Secuoya's contacts (Blau, 2010, p. 2). Netflix is enabled to come into a foreign

market already connected to an established network of people to receive feedback from and will be set up to have meaningful interactions that will help the company evolve and secure its place in the Spanish market.

Another way that Netflix is enabling the smooth entrance into Spain is through establishing legitimacy through communication. Partnering with well-known Spanish companies such as Grupo Secuoya is one way that Netflix will spread recognition to its new customer base, but it is not the only strategy. Netflix also put additional funding towards marketing expenses to try to advertise to potential customers and gain recognition amongst Spaniards (Trefis Team, 2015). Although these expenses are initially costly for the company, executives understand the value of brand recognition and legitimacy.

VII. Conclusions

Culture plays a major role in business and on the infrastructure and operations of a company. Companies would benefit from corporate policies and internal decisions that align with the country in which it operates and what local employees and customers will respond to. Some of the factors that will inevitably impact an American company and executives operating in Spain are values, ethical framework, collaboration, and organizational identity. Although this research focuses on these four specific factors and how they are demonstrated in corporations in both Spain and the United States, they do not encompass all the complexities of multinational enterprises. This research was conducted for the purpose of comparing the business cultures and analyzing how companies from the United States could best prepare themselves to be successful upon entry to a new market.

Costco successfully entered the Spanish market by appealing to the values of its potential new employees through competitive pay. The company was rewarded with more than sufficient applicants to work in its warehouse. Executives were also committed to collaboration and communication as evidenced by their efforts in knowledge discovery. Costco's forethought to send employees to the foreign region to gather information on products and Spanish preferences allowed for its seamless transition to Seville. Finally, the company maintained its ethical standards by establishing consistency in the corporation's code of ethics. The moral pillars that the company abides by do not change from the United States locations to the Spanish warehouse and are easily accessible for all.

Netflix also ventured into Spain recently and exemplified other key considerations of cultural differences. The American corporation committed to utilizing its value chain when it partnered with an established Spanish company, Grupo Secuoya. This partnership connected Netflix with valuable members of the market. Netflix is also working to establish its legitimacy not only through partnering with well known companies like Grupo Secuoya, but also through increased marketing efforts to improve brand recognition.

Overall, there are many ways that multinational corporations can prepare to enter foreign markets. Of the many differences between business culture in the United States and Spain, values, ethical framework, collaboration and communication, and organizational identity are four which could be incredibly beneficial if utilized efficiently by American business leaders prior to entering the Spanish market.

References

- Argandona, A. (1999). Business Ethics in Spain. *Journal of Business Ethics*, 22(3), 155-173.
- Back, M. (2012). Developing a guide for internship in Spain. Case: Spain Internship SC (Master's thesis).
- Bauer, T. N., & Erdogan, B. (2019). *Organizational behavior bridging science and practice*. Boston, MA: FlatWorld.
- Blau, J. (2010). European Telecoms Embrace Collaborative Innovation. *Research Technology Management*, 53(4), 2-3.
- Bloom, N., & Van Reenen, J. (2007). Measuring and Explaining Management Practices across Firms and Countries. *The Quarterly Journal of Economics*, 122(4), 1351-1408.
- Bosrock, M. M. (2006). *European business customs & manners*. Minnetonka, Minn: New York: Meadowbrook Press; Distributed by Simon & Schuster.
- Brusoni, S., & Vaccaro, A. (2017). Ethics, Technology and Organizational Innovation. *Journal of Business Ethics*, 143(2), 223-226. doi:10.2307/44253109
- Cayla, J., & Peñaloza, L. (2012). Mapping the Play of Organizational Identity in Foreign Market Adaptation. *Journal of Marketing*, 76(6), 38-54.
- Chhokar, J., Brodbeck, F., & House, R. (Eds.). (2013). *Culture and Leadership Across the World*. New York, NY: Taylor & Francis Group
- Costco Wholesale Corporation. (2020). Costco Wholesale. Retrieved March 22, 2021, from <https://www.costco.es/sobre-nosotros>
- Directorate-General for Employment, Social Affairs and Inclusion, Directorate C - Social Affairs, & Unit C.2 - Modernisation of social protection systems. (2020). *Your Social Security Rights in Spain* (Spain, European Commission, B-1049 Brussels).

- Dowling, J., & Pfeffer, J. (1975). Organizational Legitimacy: Social Values and Organizational Behavior. *The Pacific Sociological Review*, 18(1), 122-136. doi:10.2307/1388226
- Drapalova, E. (2017). Spain: Roads to Good Governance? How EU Structural Funds Impact Governance across Regions. In Warkotsch J., Pachón S., Norman C., Dietrich S., Drapalova E., Beblavý M., et al. (Authors) & Mungiu-Pippidi A., Warkotsch J., & Dadašov R. (Eds.), *Beyond the Panama Papers. The Performance of EU Good Governance Promotion: The Anticorruption Report*, volume 4 (pp. 46-57). Opladen; Berlin; Toronto: Verlag Barbara Budrich. doi:10.2307/j.ctvddzgj.5
- Fernández, J., & Camacho, J. (2016). Effective Elements to Establish an Ethical Infrastructure: An Exploratory Study of SMEs in the Madrid Region. *Journal of Business Ethics*, 138(1), 113-131.
- González, Á. (2014, May 12). Costco kicks off European drive in Spain. Retrieved March 15, 2021, from <https://www.seattletimes.com/business/costco-kicks-off-european-drive-in-spain/>
- Hofstede Center. (n.d.). Country Comparison: Spain. In *Cultural Tools*. Retrieved November 29, 2020, from <https://www.hofstede-insights.com/country-comparison/spain/>
- Hofstede Center. (2020, August 12). Country Comparison: United States. In *Cultural Tools*. Retrieved September 16, 2020, from <https://www.hofstede-insights.com/country-comparison/the-us/>
- Khatri, N., & Tsang, E. (2003). Antecedents and Consequences of Cronyism in Organizations. *Journal of Business Ethics*, 43(4), 289-303.

- McAteer, P., & Eimicke, W. (2019a). Discovery, Value, and The Sharing of New Knowledge. In *Sustainability Is the New Advantage: Leadership, Change, and the Future of Business* (pp. 133-156). New York, NY: Anthem Press.
- McAteer, P., & Eimicke, W. (2019b). Strategies for Supporting an Evolving Business. In *Sustainability Is the New Advantage: Leadership, Change, and the Future of Business* (pp. 178-195). New York, NY: Anthem Press.
- Melé, D., Debeljuh, P., & Arruda, M. (2006). Corporate Ethical Policies in Large Corporations in Argentina, Brazil and Spain. *Journal of Business Ethics*, 63(1), 21-38.
- Montolío, E., & Ramallo, F. (2009). Spain. In Bargiela-Chiappini F. (Ed.), *The Handbook of Business Discourse* (pp. 412-422). Edinburgh: Edinburgh University Press.
- Netflix establishes its first European production hub in Madrid. (2018, July 24). Retrieved March 22, 2021, from <https://about.netflix.com/en/news/netflix-establishes-its-first-european-production-hub-in-madrid>
- Schwartz, M. (2005). Universal Moral Values for Corporate Codes of Ethics. *Journal of Business Ethics*, 59(1/2), 27-44.
- Tarabar, D., & Young, A. (2017). Liberalizing Reforms and the European Union: Accession, Membership, and Convergence. *Southern Economic Journal*, 83(4), 932-951.
doi:10.2307/26632544
- Telefónica, S.A., Chief Executive Officer of Telefonica, S.A. (2004). *Letter from the Chairman* [Press release]. Retrieved March 21, 2021, from https://www.telefonica.com/documents/153952/13347920/01_carta_presidente.pdf
- Toral, P. (2008). The Foreign Direct Investments of Spanish Multinational Enterprises in Latin America, 1989-2005. *Journal of Latin American Studies*, 40(3), 513-544.

- Trefis Team. (2015, June 15). Launching into Spain, Italy and Portugal makes sense for Netflix. Retrieved March 22, 2021, from <https://www.forbes.com/sites/greatspeculations/2015/06/15/launching-into-spain-italy-and-portugal-makes-sense-for-netflix/?sh=5466b42c682f>
- Valentine, S., & Rittenburg, T. (2004). Spanish and American Business Professionals' Ethical Evaluations in Global Situations. *Journal of Business Ethics*, 51(1), 1-14.
- Valentine, S., & Rittenburg, T. (2007). The Ethical Decision Making of Men and Women Executives in International Business Situations. *Journal of Business Ethics*, 71(2), 125-134.
- Vitell, S., & Hidalgo, E. (2006). The Impact of Corporate Ethical Values and Enforcement of Ethical Codes on the Perceived Importance of Ethics in Business: A Comparison of U.S. and Spanish Managers. *Journal of Business Ethics*, 64(1), 31-43.
- Vitell, S., Ramos, E., & Nishihara, C. (2010). The Role of Ethics and Social Responsibility in Organizational Success: A Spanish Perspective. *Journal of Business Ethics*, 91(4), 467-483.
- Volkov, M. (2020, March 24). Ethical business decisions in the Covid-19 Crisis. Retrieved March 15, 2021, from <https://www.jdsupra.com/legalnews/ethical-business-decisions-in-the-covid-51535/>
- Weber, J. (2015). Investigating and Assessing the Quality of Employee Ethics Training Programs Among US-Based Global Organizations. *Journal of Business Ethics*, 129(1), 27-42.
- Yeung, A., & Yeung, J. (1995). Business Values: A Strategic Imperative for the Coming Decades. In Stewart S. & Donleavy G. (Eds.), *Whose Business Values?: Some Asian and Cross-Cultural Perspectives* (pp. 203-222). Hong Kong University Press.