

**Added value: The differences that count - By:
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Added value: The differences that count

- Against a simplistic understanding of added value and the necessity of taking language and culture into account as competitive factors

Clinging to a simplistic conceptualization of the concept of added value might impair our capability to develop insights to what really matters today when companies seek to make differences within the global market. Today it is more necessary than ever to take into account the importance of language and culture as competitive factors.

The first thing companies can do is to heighten their awareness of the issue. The concept of added value is in-fact much more complex that it seems. We learn from history that the creation of economic wealth relies on the ability to see the value of different factors other than those we usually account for.

Value-added discrepancies

Every nation, every organization and firm wishes to make a difference. One way to evaluate whether ones does so or not is to monitor track of costs and incomes. It is then possible to see just how much value was added in the process that one is responsible for.

Yet, most of what is taken into account when we refer to added value is in relevance with production factors, which today no longer make the main difference for economies having difficulties in competing with production prices. Our accounting systems still have

to rely on old-fashioned concepts and practices, which were developed at a time when it seemed more efficient to reduce the complexity of factors to all encompassing money prices.

As today's generation and exploitation of expert knowledge plays an increasing role in the creation of wealth, it has become more important to focus upon competences that nowadays do make a difference. This includes the knowledge of engineers, biologists, pharmacologists and specialists of other high-tech fields. However, one should not overlook the importance of competences acquired within the fields of communication and culture. The ability to communicate in different contexts, on various markets, in different types of organization with different kinds of people is not only relevant in selling globally, but it also helps to perceive and interpret wide differences and changes, when attracting new collaborators, developing new ideas, maintaining good relations within and outside the country and within the firm. In other words cultural competence is required to secure the best relationships.

Nevertheless, cultural factors are seldom defined clearly and obviously take into account a description of the value added process. I am going to illustrate the complexity of the issue stressing that;

1. Cultural competence is a competitive factor,
2. Expressing yourself in English is not enough,
3. Mastering various languages is important, but not enough,
4. Often cultural misunderstandings remain unregistered,
5. Cultural differences are worth taking into account,
6. A deficiency of openness is fatal in the long run,
7. Accounting systems and laws are provisional tools that can be changed.

In order to do so, I have taken this time to relate

1. To academic conversation in order to indicate that cross-cultural misunderstandings are most likely to occur and that it is a problem for a modern organization. I would also like to point out that adopting a humble attentive and careful attitude pays.

2. To historical developments on the global markets that have taught us that the creation of economic wealth has not depended on the ability to sell at a higher price than one has bought. It relies also on the capability to see cultural opportunities and on the ability

of businesses, organizations and state administrations to facilitate the acquisition of new competences.

The value of a conversation

In 1980, at a Danish university, I witnessed a respectful, animated discussion between two of my good colleagues about the concept of value. One being a philosopher inspired by Wittgenstein, the other a historian of ideas who had carefully and extensively studied Marx.

What fascinated me was that they could see sense in each other's points and comment on them, although they remained unaware that they used the value concept in two very different ways. I often recall this vivid friendly discussion to illustrate how some people being so absorbed in their subject actually can keep on relating any comment to it. Sometimes, it is because they do not listen to what the other is saying, but just keep coming back to their own flow of thought. It was not at all the case that day, as both my colleagues were attentive of what the other was saying.

This is as I see it precisely what is most interesting about this story. Each one of them considered their interlocutor sincere, clever and worth talking to. Each made their outmost effort to contribute constructively towards the discussion. I believe they did so in order to demonstrate friendship and because they expected to learn from this exchange of ideas. The reason I am quite certain about this, is that they both knew the other was a personal friend of mine, and that I enjoyed talking to them. It does set a good foundation for an exchange when respect can be exported from person to person.

Still, although the foundations were good, they did misunderstand each other occasionally. I was not as knowledgeable in their fields as they were, but I had enough knowledge of those fields to understand what they were saying from within their respective discourse of reference and therefore could register what was going on.

I consider this as a good illustration of the problem at stake. This is when people exchange ideas, services and commodities on the global market. It is often taken for granted that having an interest in the same exchange means that they have common references and therefore a common business language. What actually happens though is very similar to what occurred in the above recounted conversation. Business people can make sense of things that are said or done, but **from within** their own business culture which is not necessarily the same as that of their counterpart. Thus, they carry on interacting **without registering** issues that might be of

importance either for them now or in the future. Often they could broaden their definition of the situation, deepen their understanding, see more opportunities, and become able to cope with more challenges.

The two academics in the example above were as I said very positive towards each other, but we have all experienced conversations, where anything said by someone was used to reinforce another person's prejudices.

Twenty years of consultancy and research within the field of cross-cultural communication has provided me with hundreds of striking examples of disastrous misinterpretations due to narrow mindedness and a lack of cultural knowledge. I often meet managers who were convinced that they were understood, appreciated or just right, but who were not at all perceived so by their foreign counterparts.

A manager pleased with his sense of humour, unassuming ways and straight-forwardness, is actually perceived as being weird or even rude, and hard to deal with. Many who believed their companies were amongst the most efficiently run, offering products of the highest standard were actually not perceived likewise on foreign markets where efficiency and quality are defined differently. Those companies have failed to sell on foreign markets. These companies did sometimes perceive problems, but, due to the kind of conversations between them and the international market, their situation was pretty similar to that of the previously mentioned academics. The companies did not even register their lack of control of the relation. They perceived possession of all their faculties when they in fact were taken in by an extraneous logic that could be compared with the interplay of two computer generated sounds in an echo chamber.

It is important to stress that their communication skills were limited due to the lack of skill in a foreign language. The two academics in the preceding example each used their mother tongue to communicate in. However they each continued to use each other's contributions for building upon their own. This form of conversation is frequent in business life. We can call it **auto-conversation**.

The role I played when I had the two academics to realize that they did not take enough into account of their interlocutor's point of view can be said to be the role of a **go-between**. This role ought to be institutionalized in international businesses today.

The role of a go-between is not as easy as it seems. Those of us

who master several languages often experience that what some people claim to have understood has little to do with what actually was said. Still, it costs to tell people who proudly claim that they pick up most of what is said, despite the fact that they cannot speak much of the language used. When your colleagues or boss claim that they pick up 80 % of what is said it simply means that they took the liberty of reconstructing a whole different meaning out of the parts actually perceived. To do so they relied on their imagination and prejudices.

This is similar to what occurs when people have a limited knowledge of another culture but believe they do. What people understand then is simply their own bias and this does not provide a good foundation for a value adding relation. As people are more likely to believe they have a good understanding of a foreign culture than to realize how little they actually understand of it, auto-conversation takes place in cross cultural communication frequently. Thus, there is a risk that cross-cultural-misunderstanding might spoil the plans of the organization, or prevent the organization to take into account valuable information that remains hidden in the conversation. We can already see that a good start for any company to improve its intercultural relations is **to adopt a humble, attentive and careful attitude**, and to acquire as many relevant **linguistic and cultural competences** as possible.

The ambiguity of the added value issue

Thus, sensitivity towards communication gaps as well as an increased awareness of cultural differences is an important asset for businesses. It was my intention with those examples to allude to the ambiguity of the concept of value. If we realize how complex it is, it becomes easier to renounce the simplistic conceptualization of the value-adding process that impairs our capability to develop up to date insights.

The concept of value has been monopolized by economics, which not only functions as a scientific discipline and a managerial tool but also as a common language. The economic concepts set at disposal for managers at a moment of time informs one more of the historical *zeitgeist* or the *social image* of the society where that language – that set of interrelated concepts – is in use, than it does take into account all what could be – or even ought to be – taken into account at this very same moment of history in this very particular place where the concepts are operational.

Somehow what has occurred in economics is similar to the above-mentioned academic conversation. For many years companies

referred to the value they added to the market, as if they knew very well what they talked about. In fact they did not and although they continued to focus on added value to orientate their choices, the different actors involved were actually referring to the assets that were valuable to them and that had a tremendous impact on how the companies were surviving and developing.

As the above-mentioned conversing academics could have passionately continued discussing what mattered to them, (thereby contributing to academic development,) companies use limited and not necessarily agreed upon conventions to involve themselves on the foreign market. Their commitment to market economy does not depend upon a subtle perception of the market which took into account its diversity and complexity. On the contrary, it could be argued that an oversimplifying understanding of the complexity of factors contributing to a company's success **has been** one of the main factors of its very success. Similar to the Swedish religious community that moves to Jerusalem in Selma Lagerlöfs novel, this was triggered by a simplistic understanding of what actually matters in this world. Company's management present simple principles of action to their employees and a Unique Selling Proposition to their potential customers.

The Unique Selling Proposition became outmoded when it became obvious that it did not fit all aspects of market communication. It is becoming more obvious that the oversimplified understanding of added value does not ease adaptation to the changing market.

I wish to make it clear that cultural factors do matter. I will now refer to economic history to emphasise how different the factors that have actually contributed to adding value to firms and markets have been.

Historical developments

We all know that today's e-commerce redistributes competition factors: an important part of trade activities no longer depends on the traditional material means of production and transport. Of course we still use land roads and sea routes but e-mail has replaced most of post mail. New concepts adapted to this new situation also emerge, viral marketing is one of them, snail-mail another. Asset management as well as asset value has also evolved. Companies are eager to keep track of what really makes a difference on the market. Here we have to remember earlier developments in economic history. The accessibility to the sea did make a difference. Peter the Great understood this well when at the dawn of the 18th century St. Petersburg was built upon his

command on the shore of this Baltic Sea. From the 12th to the 16th century, the city had seen the rise and fall of the Hanseatic League, who had managed to link emerging cities, diversify trade, and impose its power on pirates and heads of states. Nevertheless, the Hanseatic League did not cope with social change, mostly due to its conservative ways. It was unable to withstand the new and dominant nation-states and sea powers forming on its borders. The Hanseatic League died slowly as England contested with the Netherlands for dominance in northern European commerce and Sweden emerged as the chief commercial power in the Baltic Sea region. Clearly, **forms of communication, cooperation styles, power structures, individual and collective status and norms**, have been decisive factors of economic development for centuries.

Different political initiatives have had tremendous influences on economic developments. Thus, the decision of the Christian kingdoms of Northern Spain to expel people of Moorish and Jewish descent from the Iberian Peninsula, contributed greatly to the economic success of other regions, such as Genoa and Antwerp. By preferring to hound heretics and consume conspicuously, the wealth stolen from the Americans was used to invest in technological development, road infrastructure and market networks. Making use of cultural diversity, the Spanish kings contributed greatly to the decline of a sea power that had managed to conquer a whole new world at the end of the 15th century. One century later the Iberian powers lost their control of the Atlantic trades. One of the factors explaining this loss was Philip's Armada. This was invincible in name only as the English fleet technologically outclassed it.

Another example: In the late 12th and early 13th centuries while the northern German mastery of trade in the Baltic Sea was achieved with such striking speed and completeness, there was not much sign of similar economic development on the territory now called France. France yet edged by ocean and sea with so many large rivers flowing into them, was still failing to develop economically. The French nation, and this is to my knowledge a unique case in history, had been established as a military creation of the state. This made it easier for the country to invest further in roads and police as expenditure was already necessary for matters belonging to the government. Despite – or because of – the many different languages, cultural heritages and various inheritance traditions, the State managed to implement a common structure with an emphasis on internal territorial control. No wonder road infrastructure, central administration and a specific type of administration schools blending law, finance, management and engineering played and still play such an important role in French economic history.

Added value is more than we thought

From history we learn that the creation of economic wealth does not only depend on the ability to sell at a higher price than one has bought, and that this ability actually relies on **the capability to see** the value of other things, apart from those already taken into consideration by the accountants. We also learn that **state administration decisions** have an impact.

Nevertheless, when we today think of added value we still refer to a limited understanding of the concept. Where does that concept come from? It was indeed an alternative and broadminded concept when it emerged with the capitalist economy.

As wealth increased and trade expanded, theoreticians came up with new ideas challenging the traditional views of priests and nobles. Upon reflecting over the origins of modern wealth, they came up with that concept of added value.

One of the most central statements in this debate, which initiated the rise of economic science, is that of John Locke who in the 42nd section of his *Second treatise of government* from 1690 wrote the following:

"For whatever bread is more worth than acorns, wine than water, and cloth or silk, than leaves, skins or moss, that is wholly owing to labour and industry; the one of these being the food and raiment which unassisted nature furnishes us with; the other provisions which our industry and pains prepare for us, which how much they exceed the other in value, when any one hath computed, he will then see how much labour makes the far greatest part of the value of things we enjoy in this world; and the ground which produces the materials, is scarce to be reckoned in, as any, or at most, but a very small part of it."

In other words: work adds value to what people have at their disposal says Locke. Since the 17th century it has been a bone of contention whether work or property (such as land or capital) matters the most and whether one should take into account more issues in the process.

Jean-Baptiste Say in his *Economic treaty* 1803 wrote that *"Lorsqu'un homme vend à un autre un produit quelconque, il lui vend l'utilité qui est dans ce produit ; l'acheteur ne l'achète qu'à cause de son utilité, de l'usage qu'il peut en faire."* This translates to: when a man sells any kind of product to another man, what he

sells to this man is the utility for that man of that product. Had it not some utility for him the buyer would not buy it means the economist Say.

Thus, some rather **tautological definitions** were at the origin of economic science. We sell what people buy, and our wealth is made of what we make.

Still, this did not explain the diversity of what people buy and make at different times in different cultures. Not much has been said from within the economic tradition to explain how and why people value specific things on the market, value other things than what are made for the market, and even value things that have no economic value.

Nevertheless, when confronted with competition it is all too often the price of things that capture our attention. Since the third Ur dynasty (-2113 – -2006) a value has been attributed to different metals and domestic animals and is indeed very useful, as it has the ability to be able to exchange things with the help of prices. Still this should not hide the fact that when it comes to adapting to social change, the issue is not only whether those values are right, relative or adaptable. The issue is also to figure out which factors have an impact on the ability to figure out how to achieve goals. I believe my historical examples show that in crucial moments where new ways of making a difference were possible or needed, what really added value was not what was explicitly taken into account by those in charge of the process.

Value added tax

Nonetheless, some governmental decisions concerning taxation or education are definitely amongst the most influential for that matter. In 1954 France was the first country to adopt the value-added tax. This was not only to put an end to the discrimination caused by the turnover tax against economic sectors in which products were bought and sold several times, but also to fight against the detrimental concentration of economic power that the former tax had encouraged.

In my view, governments and companies today should **encourage cultural competence** – as well as of course technological competence – to help develop alternative ways of adding value and securing economic basis in societies confronted with globalization.

Adding value to the market

In order to cope with the changing market and the challenges of globalization administrations and companies should not only rely on what is taken into account for the calculation of the value-added tax. Not all what counts is included in the accounts. Amongst the factors impacting benefits and competition, the ability to communicate and collaborate with people from different cultural and linguistic background is today worth close attention. In the globalization era those cultural factors are decisive competitive advantages, and this is also true for economies outsourcing most of their industrial activities.

Most of what is taken into account when we refer to added value are production factors which no longer comprise the main difference for economies having difficulties in competing on production prices.

As words like outsourcing, branding, knowledge economy, experience economy become more common, we might need to renew some of our assumptions, conceptual frameworks and accounting principles in order to efficiently trace what really makes a difference for the creation of value. This would thereby enhance our ability to make the right priorities before it is too late.

I believe the following factors are today amongst the most important ones for the value addition process:

1. A level English. Having a wide vocabulary means that one can more easily be perceived, understood and expressed.
2. A great ear and tolerance for different pronunciations. Fluency in English today should also mean being satisfied with the variety of ways it is pronounced around the world. Permitted departure in uttering contributes to better understanding of what is communicated and greater tolerance of different ways. It is possible to train people to understand and accept pronunciations that are farer than ones own, but this is seldom done at this point of time.
3. A high level of awareness that language ability is not enough, as one has to encounter cultural differences that are better registered and understood provided one has acquired the proper cultural skills.
4. A great interest in acquiring cross-cultural competence and a basic understanding of the ethics and practices that express respect to different kind of people
5. A constant ability to integrate people from different cultural

- backgrounds within organizations and nations in order to receive better access to alternative views and skills, provoking better possibilities of combining competences;
6. A considerable commitment to increase the number of people mastering other languages than that of their parents and English. A widespread knowledge of English should not be at the expense of the maintenance and expansion of the expertise in a large variety of languages such as Arabic, Chinese, French, German, Italian, Japanese, Portuguese, Russian and Spanish. One has a totally different kind of relation with people when able to address them in their own language, even when they do speak English. It is much easier for people who have seriously learned three languages at school to learn three more. Furthermore, learning a language less close to one's own helps to develop learning skills and opens channels of cultural material such as films, novels, museums and historical accounts that remain inaccessible to others. This therefore develops one's creativity and that of one's group. (As an example: He who does not know Spanish will always remain at a longer distance from his Spanish colleagues than he who has had the privilege to read Lorca and Machado);
 7. An increased awareness of the complexity of factors at stake are significant, or in order to enhance a company or nation's ability to adapt to new situations and to reach one's goals according to common values.

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