Chapter 4

The Role of Culture

Learning objectives

At the end of this lesson, you should be able to:

4.1 Discuss the primary characteristics of culture

4.2 Describe the various elements of culture and provide examples of how they influence international business

4.3 Assess the primary approaches for clustering and comparing cultures

4.4 Explain how cultural conflicts may arise in international business

Background

- Firms that rely on familiar home culture to compete in a new foreign market can jeopardize international success

- All aspects of IB (negotiations, production operations, marketing decisions, human resource management) may be affected by **CULTURE** variations

- Culture - can confer competitive advantage or disadvantage on firms

Characteristics of Culture

What is culture?

- **Culture is the collection of values, beliefs, behaviors, customs, and attitudes that distinguish one society from another**

Characteristics of Culture

- **Characteristics Of Culture**
  - **Learned behavior**
  - Interrelated
  - Adaptive
  - Shared

4 Characteristics

- reflects **learned behavior** that is transmitted from one member of a society to another
- transmitted **intergenerationally**, as when parents teach their children e.g.table manners
- transmitted **intragenerationally**, as when seniors educate incoming freshmen about a school's traditions

Characteristics of Culture

- **Characteristics Of Culture**
  - Learned behavior
  - **Interrelated**
  - Adaptive
  - Shared

- Elements of culture are **interrelated**
- For example, Japan's group-oriented, hierarchical society stresses harmony and loyalty, which historically translated into lifetime employment and minimal job switching

Characteristics of Culture

- **Characteristics Of Culture**
  - Learned behavior
  - Interrelated
  - **Adaptive**
  - Shared

- Because culture is learned behavior, it is **adaptive** - culture changes in response to external forces that affect society.

Characteristics of Culture

- **Characteristics Of Culture**
  - Learned behavior
  - Interrelated
  - Adaptive
  - **Shared**

- **shared** by members of the society defines the membership in the society
- Individuals who share a culture are members of a society; those who do not are outside the boundaries of the society
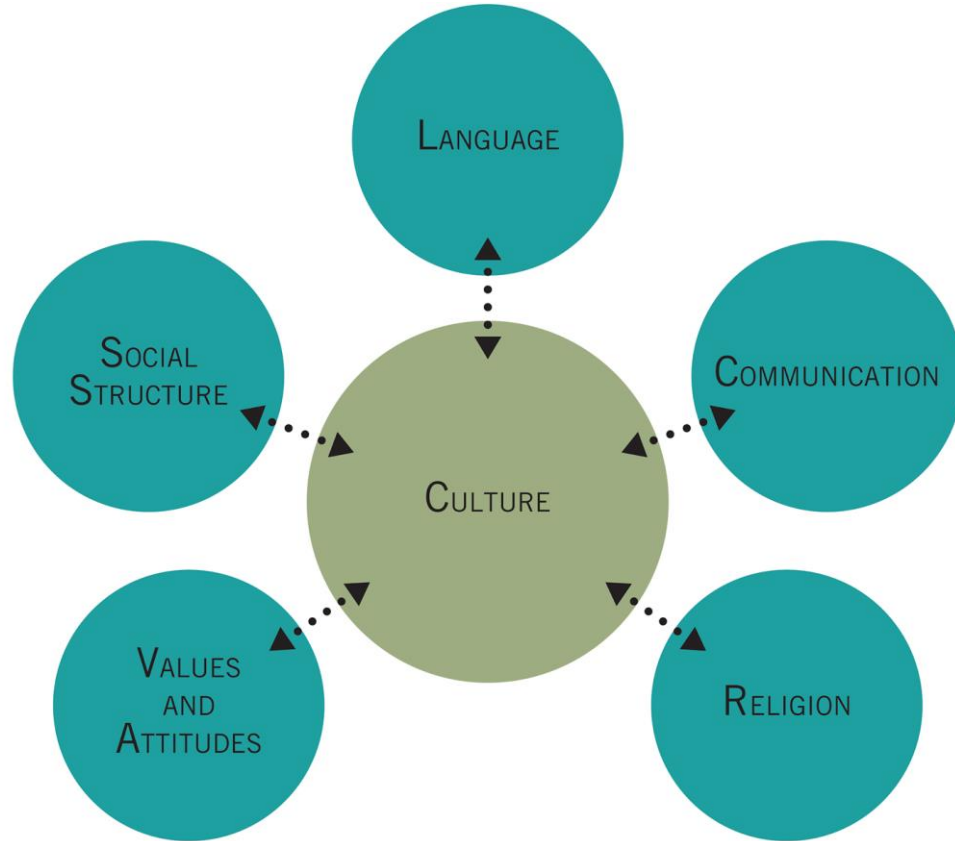
In Practice

- Culture - not something we are born with - something we learn from members of society
- Culture may affect business opportunities and procedures - MUST understand local culture before entering host country

Question

What types of culture facilitate success in fast moving industry such as e-commerce?

5 Basic Elements of Culture

Interaction of these elements affects the local environment in which international businesses operate.

Elements of Culture: Social Structure

● **Individuals, Families, and Groups**
  ○ Defining family - nuclear family, extended family, belong to clan tribes

  ○ Individual's role within groups - discourage nepotism in USA, but prefer family ties in Arab-owned firms, Chinese firms

● Importance of the individual relative to the group - US promotes individualism, versus Japan group-focused society, individual serve the group

JAPAN'S DEMOGRAPHIC AND CULTURAL CHALLENGES

The first cultural element that plays a major role in Japanese business practices is the hierarchical structure of Japanese society. The social hierarchy strictly defines how people deal with each other in their day-to-day lives.

A second cultural element is "groupism." A person is identified as a member of a group rather than as an individual. This sense of belonging to one consensually integrated group is engrained in Japanese children. This strong group identity has been reinforced by Japan's ethnic homogeneity, and its relative isolation from the rest of the world until the 1850s.

The third element of the Japanese culture is wa, or social harmony. The goal of each group member is to promote harmony, or consensus, within the group. Decisions are not made within Japanese organizations by upper-management because that would upset the wa. The need to preserve wa is one reason many Japanese firms encourage Japanese salarymen to socialize after work.

A fourth cultural element is obligation, or duty. The individual, once hired, becomes indebted to the firm. The debt owed to the firm for agreeing to employ the person is so great that the person can never repay it. The person owes everything to the firm, and the firm's needs come first, even before personal and familial needs. The strong cultural disapproval of an employee moving to another firm stems from this facet of Japanese culture.

Sources: "Fujitsu to Institute Merit-Based Pay for All Employees," *Wall Street Journal*, March 26, 1998. p. B5; Richard G. Newman and K. Anthony Rhee, "Self-Styled Barriers Inhibit Transferring Management Methods," *Business Horizons*, May-June 1989, pp. 17–21.

The Image Works

Japanese culture stresses the importance of working together within groups and maintaining social harmony, or *wa*. An important task of this Japanese preschool is to teach its students the norms of the country's group-oriented, harmony-seeking culture, so that they can grow up to be productive members of Japanese society.

Elements of Culture: Social Structure

- **Social Stratification**
  - Attributes
  - Highly stratified societies
  - Less stratified societies

British class system - working class, aristocrats, India caste) - highly stratified society

- All societies categorize some extent on basis of birth, occupation, educational achievements, or other attributes

- MNEs - in highly stratified society must adjust hiring and promotion practices to take into account clans, clan differences among supervisors and workers

Elements of Culture: Social Structure

- **Social mobility**

  - Ability to move from one stratum to another in the society

  - Low social mobility - highly stratified society
  - High social mobility - less stratified society

  - Socially mobile society -US, Canada Singapore, - individuals willing to seek higher education or engage in entrepreneurial activities - free to rise in society

- Delineates cultural groups - important means members communicate

- Way members of society think about world

- Filters observations and perceptions

- Shapes one's perceptions of the world

- Provides important clues about the cultural values of the society

- Offers indications about the diversity of a country's population

Elements of Culture: Language

- Language as a Competitive Weapon
    - Linguistic ties
    - Linguistic legacy of colonialism

- Predominant common language, or Lingua Franca
    - English

- Translation
    - Backtranslation - reduce mistake wrong message
    - Use Common words - communications to non-native speakers

- Words may have different meanings
    - Saying No - words have different meanings to persons diverse

- **Nonverbal Communication**
  - Facial Expressions
  - Hand Gestures
  - Intonation
  - Eye Contact
  - Body Positioning
  - Body Posture

Table 4.1 Forms of Nonverbal Communication

Dress: fashionable, flashy, or conservative

Hand gestures

Facial expressions: smiles, frowns, nods, eye contact (or lack of it)

Hair styles

Greetings: bows, hugs, kisses, and hand shakes

Perfumes and colognes

Physical contact: hand holding, pats on the back

Posture: formal or relaxed?

Time: arrive promptly, early, or late?

Waiting your turn: queue up? or not?

Walking: fast, slow; in group or single file; position of leader within group

Source: Based on Gary Ferraro, *The Cultural Dimension of International Business*, 6th ed., Prentice Hall, 2010, pp. 82–105; Lillian Chaney and Jeanette Martin, *Intercultural Business Communication*, 2nd ed., Prentice Hall, 2000, pp. 105–128.

- **Gift-Giving and Hospitality**
  - Important means of communication
  - Different gift giving etiquettes
  - Hospitality customs also differ
  - Communicating bad news

Major World Religions

Elements of Culture: Religion

- Shapes attitudes of adherents

- Constraints the roles of individuals in society

- Affects consumer buying behavior

- Affects seasonal patterns of consumption

- Impact on international businesses
  - Legal system
  - Homogeneity of religious beliefs
  - Tolerance

Elements of Culture: Values and Attitudes

- Values are the principles and standards accepted by the members; attitudes encompass the actions, feelings, and thoughts that result from those values.

- Cultural values often stem from deep-seated beliefs about the individual's position in relation to his or her deity, the family, and the social hierarchy.

- Cultural attitudes toward such factors as time, age, education, and status reflect these values and in turn shape the behavior of and opportunities available

- **Time**

- **Age**

- **Education**

- **Status**

Seeing the Forest, Not the Trees: Hall's Low-Context–High-Context Approach

One way of characterizing differences in cultures is the low-context–high-context approach developed by Edward and Mildred Hall

In a low-context culture, the words used by the speaker explicitly convey the speaker's message to the listener.

High-context culture, context in which conversation occurs is just as important as words that are actually spoken, and cultural clues are important in understanding what is being communicated.

- Anglo-Saxon countries such as Canada, the United Kingdom, and the United States, and Germanic countries are examples of low-context cultures

- **Arab countries and Japan**

Seeing the Forest, Not the Trees: Hall's Low-Context–High-Context Approach

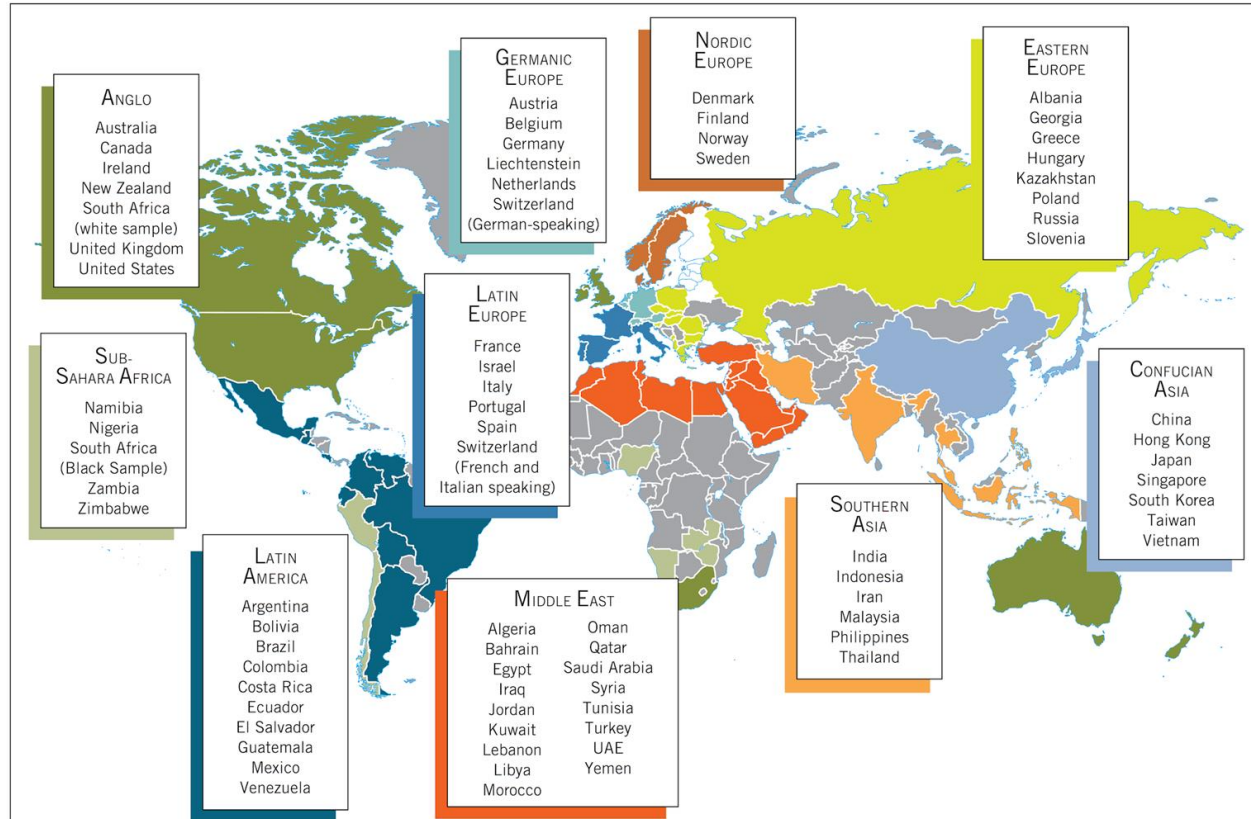- **Low-context culture vs High-context culture**
  - Words
  - Context
  - Cultural clues
  - Business behaviors

Table 4.2 Examples of Low and High Context Cultures

Low-Context Cultures	High-Context Cultures
German	Chinese
Swiss	Korean
Austrian	Japanese
Scandinavian	Vietnamese
U.S./Canadian	Arab
British	Greek
Australian	Spanish

Map 4.4 A Synthesis of Country Clusters

10 Clusters - share similar culture - language, religion, races, some differences exist

ANGLO
Australia
Canada
Ireland
New Zealand
South Africa
(white sample)
United Kingdom
United States

GERMANIC EUROPE
Austria
Belgium
Germany
Liechtenstein
Netherlands
Switzerland
(German-speaking)

NORDIC EUROPE
Denmark
Finland
Norway
Sweden

EASTERN EUROPE
Albania
Georgia
Greece
Hungary
Kazakhstan
Poland
Russia
Slovenia

SUB-SAHARA AFRICA
Namibia
Nigeria
South Africa
(Black Sample)
Zambia
Zimbabwe

LATIN EUROPE
France
Israel
Italy
Portugal
Spain
Switzerland
(French and Italian speaking)

CONFUCIAN ASIA
China
Hong Kong
Japan
Singapore
South Korea
Taiwan
Vietnam

SOUTHERN ASIA
India
Indonesia
Iran
Malaysia
Philippines
Thailand

LATIN AMERICA
Argentina
Bolivia
Brazil
Colombia
Costa Rica
Ecuador
El Salvador
Guatemala
Mexico
Venezuela

MIDDLE EAST
Algeria   Oman
Bahrain   Qatar
Egypt   Saudi Arabia
Iraq   Syria
Jordan   Tunisia
Kuwait   Turkey
Lebanon   UAE
Libya   Yemen
Morocco

The Cultural Cluster Approach

- Internationalization strategies - similar cluster
- Foreign Market Entry Methods - Closeness of culture used as criteria -Canada firms invest in Britain - vice versa

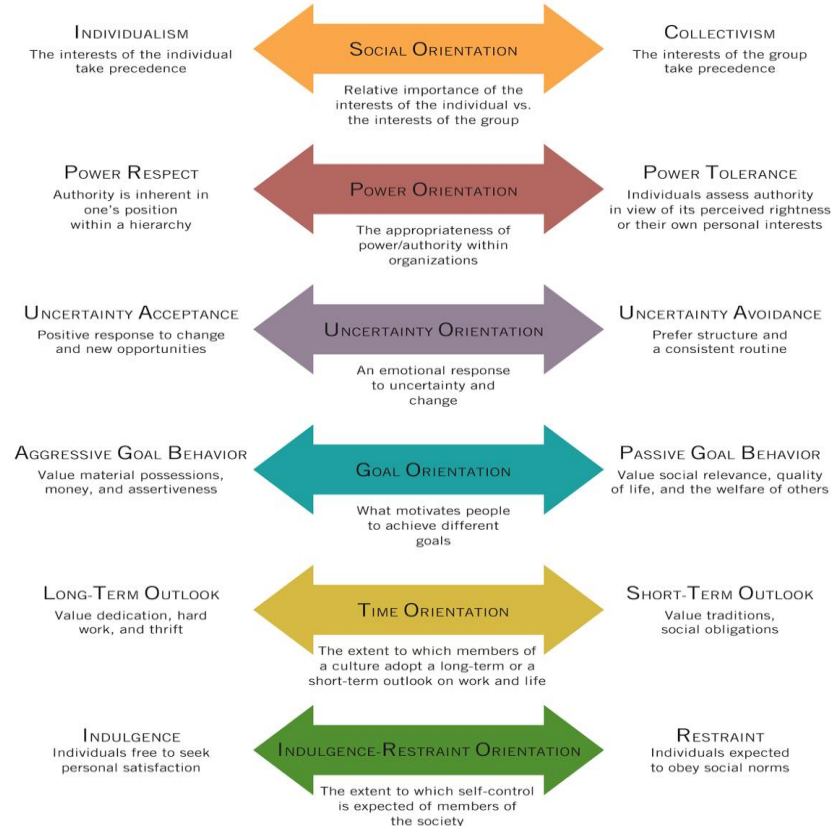# Seeing the Forest, Not the Trees: Hofstede's Six Dimensions

Figure 4.2 Hofstede's Six Dimensions of National Culture

Social Orientation

- Social orientation is a person's beliefs about the relative importance of the individual and the groups to which that person belongs.

- The two extremes of social orientation, summarized in Table 4.3, are **individualism and collectivism**

Social Orientation

Table 4.3 Extremes of Social Orientation

Individualism	Collectivism
I is the focus of decisions; I do what is best for myself	*We* is the focus of decisions: do what is best for the group
Individuals are responsible for themselves	The group is responsible for its members
Success a result of the individual's actions	An individual's success is due to the group's assistance
Primary loyalty to my career, my goals, and my close family, not to the organization	Primary loyalty to the organization or the group
If a setback occurs, goal is return to self-sufficiency	If a setback occurs, group provides continuing assistance

Power Orientation

Power orientation - the beliefs that people in a culture hold about the appropriateness of power and authority differences in hierarchies

The extremes of the dimension of power orientation are summarized in Table 4.4

Power Orientation

Table 4.4 Extremes of Power Orientation

Power Tolerance	Power Respect
Children are adults-in-training, taught to think for themselves	Children taught to obey
Teachers are guides who facilitate learning	Teachers are the source of all knowledge and wisdom
Superiors consult with subordinates	Superiors tell subordinates what to do
Everyone should have the same rights	Rights and privileges are tied to rank
Hierarchies are a necessary evil	Hierarchies are desirable; everyone knows their place
Inequality is bad, should be minimized	Inequality is good, a way of demonstrating superiority

Source: Gary Ferraro, *The Cultural Dimension of International Business*, 6th ed. Pearson, 2010; Geert Hofstede, Gert Jan Hofstede, and Michael Minkov, *Cultures and Organizations: Software of the Mind*, 3rd ed. New York: McGraw-Hill, 2010; Nancy J. Adler and Allison Gundersen, *International Dimensions of Organizational Behavior*, 5th ed. Thompson South-Western, 2008; John B. Cullen, *Multinational Management*, South-Western College Publishing, 1999; Vern Terpstra and Kenneth David, *The Cultural Environment of International Business*, South-West Publishing Company, 1985.

Uncertainty Orientation

- Uncertainty orientation is the feeling people have regarding uncertain and ambiguous situations.

- **Uncertainty acceptance** - stimulated by change and thrive on new opportunities. Ambiguity is seen as a context which individual can grow, develop, and carve out new opportunities
- Certainty carries with it a sense of monotony, routineness, and overbearing structure

- In contrast, **uncertainty avoidance culture** dislike ambiguity - will avoid it whenever possible. Ambiguity and change are seen as undesirable.
- Tend to prefer a structured and routine, even bureaucratic, way of doing things

Uncertainty Orientation

Table 4.5 Extremes of Uncertainty Orientation

Uncertainty Acceptance	Uncertainty Avoidance
Uncertainty and ambiguity create opportunities	Uncertainty and ambiguity create threats and challenges
Weak hierarchies and bureaucracies	Strong hierarchies and bureaucracies
Change jobs if new opportunities arise	Changing jobs risky—why take the chance?
Decentralized decision-making encourages flexibility	Centralized decision-making ensures uniformity
Subordinates encouraged to think for themselves, innovate	Subordinates expected to do what they are told
Social norms are weak; unorthodox behavior tolerated	Social norms are strict and to be obeyed

Goal Orientation

- The manner in which people are motivated to work toward different kinds of goals

- **Aggressive goal behavior** (see Table 4.6). People who exhibit aggressive goal behavior tend to place a high premium on material possessions, money, and assertiveness

- People who adopt **passive goal behavior** place a higher value on social relationships, quality of life, and concern for others

Goal Orientation

Table 4.6 Extremes of Goal Orientation

Passive Goal Behavior	Aggressive Goal Behavior
Quality of life more important than material rewards	Material rewards more important than quality of life
Work life and family life integrated	Work life and family life separate and distinct
Desire low level of work-related stress	Work-related stress expected, a badge of honor
Cooperation more important than competition	Competition more important than cooperation
Success: "a well-lived life"	Success: "he who dies with the most toys wins"

Time Orientation

- the extent to which members of a culture adopt a long-term versus a short-term outlook on work, life, and other aspects of society

- Table 4.7 describes the extremes of time orientation

Time Orientation

Table 4.7 Extremes of Time Orientation

Short-term Orientation	Long-term Orientation
Tradition is important	Pragmatism dominates tradition
Truth is an absolute	Truth is situational and contextual
Luck affects success and failure	Effort affects success; lack of effort causes failure
Saving for the future unimportant	Thrift and perseverance are virtues, lead to future rewards
Decisions focus on immediate financial success	Decisions focus on growth and long-term financial success

Indulgence-Restraint Orientation

- This dimension measures the importance of self-control

- Cultures scoring high in this dimension value leisure time and pleasure and are generally optimistic in outlook

- Cultures scoring low in this dimension tend to be cynical and to place little value on leisure time. In cultures scoring high on restraint, social norms are important in regulating the actions of the culture's members.

- Table 4.8 describes the extremes of this dimension

Indulgence-Restraint Orientation

Table 4.8 Extremes of Indulgence-Restraint Orientation

Indulgence	Restraint
Enjoy life, have fun	Self-control important
Optimism prevails	Cynicism prevails
Leisure time is highly valued	Leisure time unimportant
"If it feels good, do it"	Seeking instant gratification is looked down on
Weak allegiance to social norms	Strong allegiance to social norm

Source: Gary Ferraro, *The Cultural Dimension of International Business,* 6th ed. Pearson, 2010; Geert Hofstede, Gert Jan Hofstede, and Michael Minkov, *Cultures and Organizations: Software of the Mind,* 3rd ed. New York: McGraw-Hill, 2010; Nancy J. Adler and Allison Gundersen, *International Dimensions of Organizational Behavior,* 5th ed. Thompson South-Western, 2008; John B. Cullen, *Multinational Management,* South-Western College Publishing, 1999; Vern Terpstra and Kenneth David, *The Cultural Environment of International Business,* South-West Publishing Company, 1985.

International Management and Cultural Differences

- World's culture becoming similar due to improved communications and transportation - internet and cheap air travel

- CNN, MTV, BBC, NHK- access to political events, sports, cultural scandals, disasters, culture + travel to learn culture firsthand ⇒>> Cultural convergence

- Cultural convergence facilitated by MNCS = define appropriate lifestyles, attitudes, goals through management techniques, technologies, and cultural values

International Management and Cultural Differences: Understanding New Cultures

Mistake of relying on self-reference criterion - unconscious use of one's own culture to assess new surroundings

The foreigners - must try to behave according to rules of culture at hand - Need Cross-cultural literacy

Acculturation - what is ???

process people not only understand a foreign culture but also modify and adapt their behavior

Review Questions

- What is **culture**? Discuss the **main elements of culture**.

- What are the **primary characteristics of culture**?

- List the **major approaches to the study of culture**, and use examples to illustrate their relevance in international marketing.

Review Questions

- What is the significance of **social orientation according to Hofstede**?

- What is **power respect and power tolerance**? How do they differ?

- Discuss the differences in pay systems between U.S. and Japanese firms. To what extent are these differences culturally determined?

Review Questions

- What is power orientation?
- What is **uncertainty orientation**?
- What are **aggressive and passive goal behaviors**? How do they differ?
- What is the **self-reference criterion**?