

International Business Management

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Lecture 3





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Differences in Culture

Lecture 3

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Learning Objectives

- 3-1** Explain what is meant by the culture of a society.
- 3-2** Identify the forces that lead to differences in social culture.
- 3-3** Identify the business and economic implications of differences in culture.
- 3-4** Recognize how differences in social culture influence values in business.
- 3-5** Demonstrate an appreciation for the economic and business implications of cultural change.

What Is Culture? ₁

Scholars have not agreed on a simple definition

- **Culture:** a system of values and norms shared among a group of people and, when taken together, constitute a design for living
- **Society:** a group of people sharing a common set of values and norms

What is meant by the culture of a society?

Values refer to abstract ideas about what a group believes to be good, right, and desirable.

Norms are the social rules and guidelines that prescribe appropriate behavior in particular situations.

What Is Culture? 2

Values and Norms

- **Values:** provide the context within which a society's norms are established and justified
- **Norms:** the social rules that govern the actions of people toward one another
 - **Folkways:** routine conventions of everyday life
 - **Mores:** norms that are central to the functioning of a society and its social life

A good example of folkways concerns attitudes toward time in different countries. People are keenly aware of the passage of time in the United States and northern European cultures such as Germany, Netherlands, and the Scandinavian countries. Businesspeople are very conscious about scheduling their time and are quickly irritated when their time is wasted because a business associate is late for a meeting or if they are kept waiting.

Mores include such factors as indictments against theft, adultery, incest, and cannibalism. In many societies, certain mores have been enacted into law.

Planning on Doing Business Internationally?

If a company is planning to export a product, two basic questions need to be asked. Is the product ready to be exported? And, is the company ready to export the product (i.e., does the company have the infrastructure, knowledge, and skills to export the product)?

Culturally, the product is either ready for a global market or not (and, if not, the company can modify it if the market is important enough).

Company readiness is much more culturally sensitive. Having the appropriate cultural knowledge and skills are important. If you have the basic information about a company, you can use global EDGE's diagnostic tool called CORE (Company Readiness to Export) to assess both product and company readiness to export.

Which do you think is the most important: product readiness or company readiness?

What Is Culture? 3

Culture, Society, and the Nation-State

- Society reflects people who are bound together by a common culture
 - Nation-states are political creations that can contain a single culture or several cultures
 - Some cultures embrace several nations
 - Also possible to talk about culture at different levels within societies

There is not a strict one-to-one correspondence between a society and a nation-state. Nation-states are political creations that may contain a single culture or several subcultures. Cultures can embrace several nations.

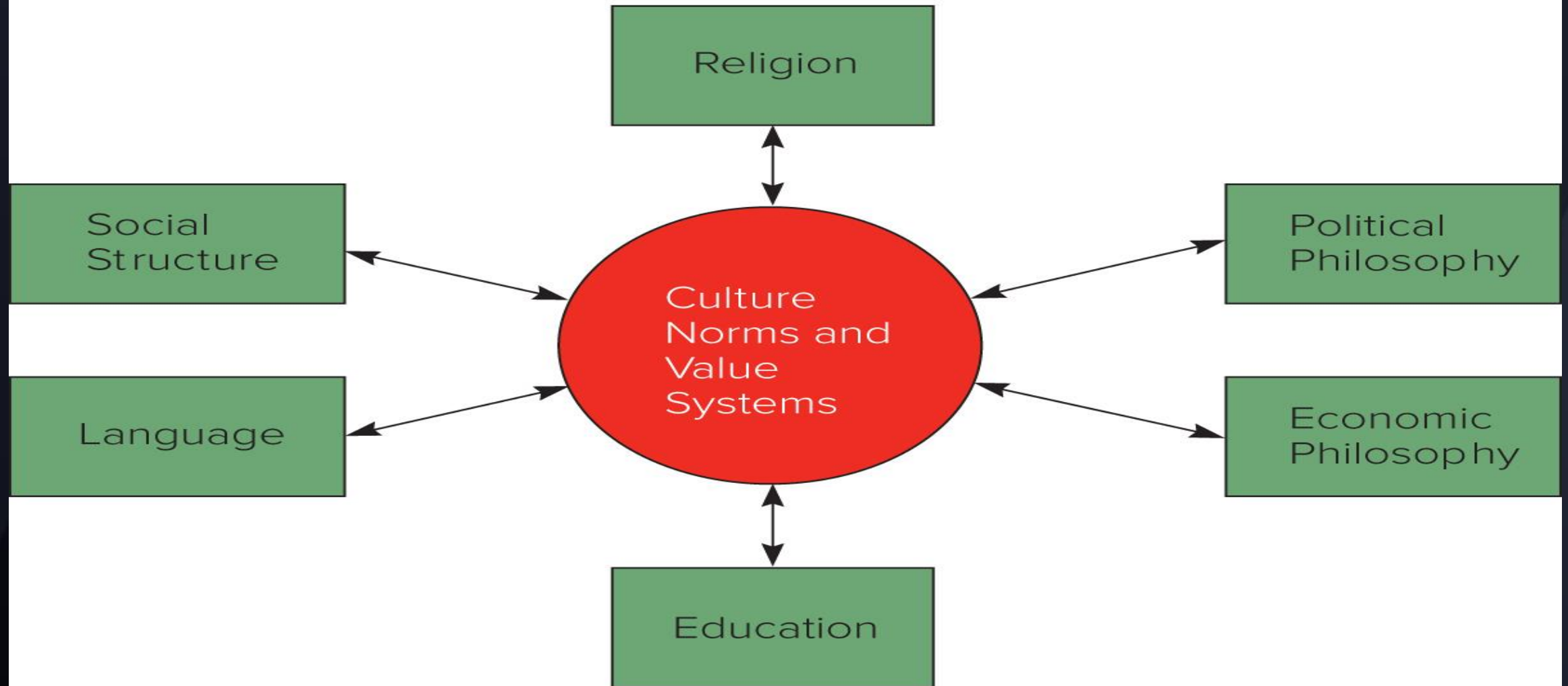
To complicate things further, it is also possible to talk about culture at different levels. It is reasonable to talk about “American society” and “American culture,” but there are several societies within America, each with its own culture. For example, in the United States of America, which is one country, one can talk about African American culture, Cajun culture, Chinese American culture, Hispanic culture, Indian culture, Irish American culture, and Southern culture.

Determinants of Culture

- Values and norms of a culture evolve based on:
 - Prevailing political and economic philosophies
 - Society's social structure
 - Dominant religion, language, and education

Figure 4.1 Determinants of Culture

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Social Structure ₁

A society's **social structure** is its basic social organization

- Two dimensions to consider:
 - Degree to which the basic unit of social organization is the individual, as opposed to the group
 - Degree to which a society is stratified into classes or castes

Individuals and Groups

- **Group:** association of two or more individuals who have a shared sense of identity and who interact with each other in structured ways on the basis of a common set of expectations about each other's behavior

Individuals and Groups continued

The Group

- Emphasized in non-Westernized societies, such as Japan
- Cooperation and team work are encouraged and lifetime employment is common
- Individual initiative and creativity may be suppressed

In traditional Japanese society, the group was the family or village to which the individual belonged. Today, the group has frequently come to be associated with the work team or business organization.

In a now-classic study of Japanese society, Nakane noted how this expresses itself in everyday life. Nakane goes on to observe that the primacy of the group to which an individual belongs often evolves into a deeply emotional attachment in which identification with the group becomes all-important in one's life. One central value of Japanese culture is the importance attached to group membership.

Individuals and Groups continued

The Individual

- Emphasized in Western societies
- Encourages individual achievement and entrepreneurship
- Fosters managerial mobility
- Encourages job switching and lack of loyalty to the firm

Social Stratification

- All societies are stratified on a hierarchical basis into social categories, or **social strata**
 - Often defined by family background, occupation, and income
- Societies differ in terms of:
 - Degree of mobility between social strata
 - Significance attached to social strata in a business context

Social Stratification continued

- Four basic principles of social stratification
 1. It is a trait of society, not a reflection of individual differences
 2. It carries over from one generation to the next
 3. It is generally universal but variable
 4. It involves not just inequality but also beliefs

Social Stratification continued

- **Social mobility:** the extent to which individuals can move out of the strata they are born into
 - **Caste system:** social position is determined by the family into which a person is born, and change in that position is unlikely
 - **Class system:** position a person has by birth, but can be changed through achievement or luck
 - Social mobility in class system varies from society to society

Social Stratification continued

- Significance
 - **Class consciousness:** people perceive themselves in terms of class background
 - Shapes relationships with members of other classes
 - Evident in the United Kingdom and India
 - Antagonism between labor and management can raise the costs of doing business

Religious and Ethical Systems ¹

Religion: system of shared beliefs and rituals that are concerned with the realm of the sacred

Ethical system: set of moral principles, or values, that are used to guide and shape behavior

Religions with the greatest following are:

- Christianity (2.20 billion adherents)
- Islam (1.60 billion adherents)
- Hinduism (1.10 million adherents)
- Buddhism (535 million adherents)
- Confucianism shapes culture in many parts of Asia

Map 3.1 World Religions



[Jump to long description in appendix](#)

Source: "Map 14," in Allen, John L., and Sutton, Christopher J., *Student Atlas of World Politics*, 10th ed. New York, NY: McGraw-Hill Companies, Inc., 2013.

Religious and Ethical Systems 2

Christianity

- Most widely practiced religion
- In 1904, Max Weber suggested that the Protestant work ethic was the driving force of capitalism
 - Focus on hard work, wealth creation, and frugality
- Protestantism gave individuals more freedom to develop own relationship with God, which may have paved way to economic freedom

Religious and Ethical Systems 3

Islam

- Adherents of Islam are referred to as Muslims
- One true omnipotent God, Allah
- Those who forgo worldly ambitions to seek the favor of Allah may gain the greater treasure—entry into paradise
- In Western media, Islamic fundamentalism is associated with militants, terrorists, and violent upheavals
- Fundamentalists have gained political power in many Muslim countries and tried to make Islamic law the law of the land

Islam continued

- Economic Implications of Islam
 - Koran establishes explicit economic principles many of which are pro-free enterprise
 - Under Islam, people do not own property but only act as trustees for God and thus must take care of what they are entrusted with
 - Stresses living up to contractual obligations, keeping one's word, and abstaining from deception

Religious and Ethical Systems 5

Economic Implications of Islam continued

- Prohibits payment or receipt of interest
- *Mudarabah* is similar to profit sharing
- *Murabaha* includes a markup price for the bank

Religious and Ethical Systems 6

Hinduism

- World's oldest religion
- Moral force in society requires acceptance of certain responsibilities called *dharma*
- Believe in reincarnation and *karma*
- Individuals can eventually achieve *nirvana*
- Economic Implications of Hinduism
 - Max Weber: Hinduism does not foster entrepreneurship
 - Modern India is a dynamic entrepreneurial society
 - Mahatma Gandhi embodied Hindu asceticism

Religious and Ethical Systems 7

Buddhism

- Suffering originates in people's desire for pleasure
- Stresses spiritual growth and afterlife, rather than achievement while in this world

Economic Implications of Buddhism

- Does not support caste system
- Recent trend of “Zen” orientation into Western businesses

Buddhism does not support the caste system, so individuals do have some mobility and can work with individuals from different classes

“In business, ‘Zen’ is often a synonym for ordinary nothingness,” blogged Nancy Friedman, a corporate copywriter who consults with businesses on naming and branding. She said that “*Zen* can be combined with *mail* to describe ‘an incoming e-mail message with no message or attachments.’ *Zen spin* is a verb meaning ‘to tell a story without saying anything at all.’ And *to zen* a computing problem means to figure it out in an intuitive flash—perhaps while you’re plugged into the earphones of your ZEN MP3 player, available from Creative.”

Religious and Ethical Systems 8

Confucianism

- Until 1949, official ethical system of China
- Not a religion
- High moral and ethical conduct and loyalty to others
- Attain personal salvation through right action
- Three key teachings of Confucianism: loyalty, reciprocal obligations, and honesty
 - May lead to a lowering of the cost of doing business in Confucian societies

Spoken Language

- Countries with more than one spoken language often have more than one culture
 - Chinese is the mother tongue of the largest number of people in the world
 - English is the most widely spoken language in the world and is becoming the language of international business

Can You Speak the Most Important Languages?

Mastering your own native language is important to doing business in your home country. Mastering the language of a foreign country is also an added value in any cross-cultural relationship. English leads the way in terms of business languages, but which languages are important after English? Spanish? No, not necessarily. The three languages that are important for business after English are Mandarin Chinese, French, and Arabic. Spanish is fifth, so it is clearly important, but not as useful as English, Mandarin, French, and Arabic because of the number of people who speak these languages. **Do you agree with the rank order of these languages? Why or why not?**

Unspoken Language

- Nonverbal cues
 - Examples include facial expressions and hand gestures
 - Personal space is the customary distance between two people
- Many nonverbal cues are culturally bound and may be interpreted differently, resulting in misunderstandings

Education

Formal education teaches the language, conceptual, and technical skills that are indispensable in modern society

Educational opportunities can provide a competitive advantage and make a country more or less attractive for expanding businesses

- Porter points to Japan's excellent education system in explaining its postwar economic success

The general education level of a country is a good indicator of the types of products that might sell or the types of promotional materials that might be successful

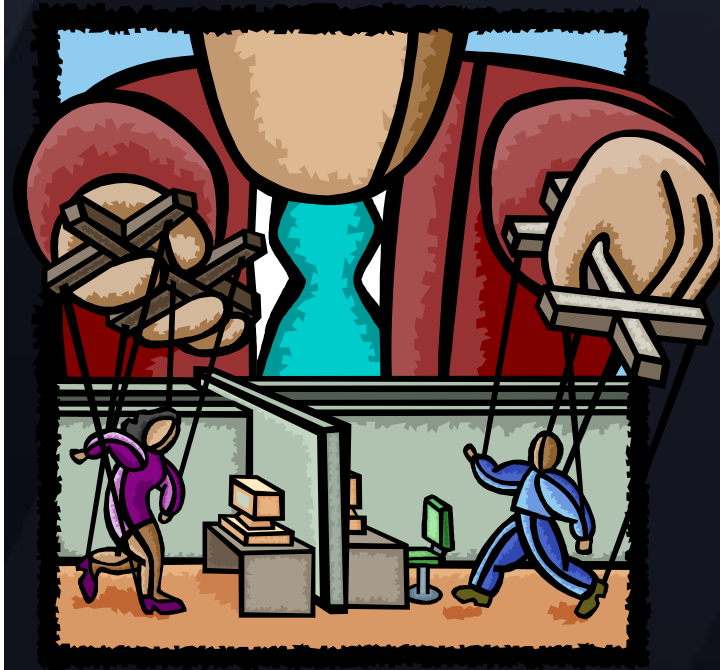
Geert Hofstede isolated five dimensions that summarized different cultures

1. Power distance
 2. Individualism versus collectivism
 3. Uncertainty avoidance
 4. Masculinity versus femininity
 5. Long-term versus short-term orientation
- A move to add a sixth dimension: indulgence versus restraint

Hofstede's Framework: Power Distance

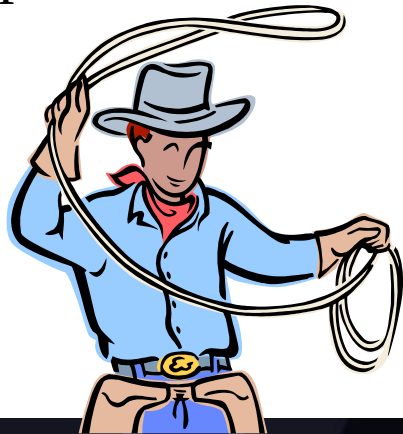
The extent to which a society accepts that power in institutions and organizations is distributed unequally.

- Low distance
 - Relatively equal power between those with status/wealth and those without status/wealth
- High distance
 - Extremely unequal power distribution between those with status/wealth and those without status/wealth



Hofstede's Framework: Individualism

- Individualism
 - The degree to which people prefer to act as individuals rather than as member of groups
- Collectivism
 - A tight social framework in which people expect others in groups of which they are a part to look after them and protect them

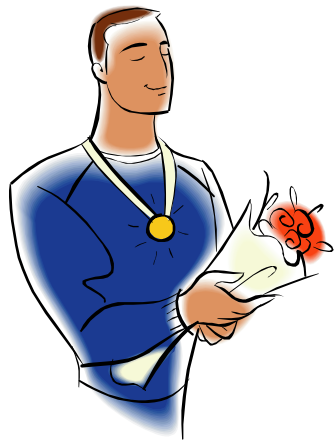


Versus



Hofstede's Framework: Masculinity

- Masculinity
 - The extent to which the society values work roles of achievement, power, and control, and where assertiveness and materialism are also valued
- Femininity
 - The extent to which there is little differentiation between roles for men and women



Versus



Hofstede's Framework: Uncertainty Avoidance

The extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid them

High Uncertainty Avoidance:

Society does not like ambiguous situations and tries to avoid them.

Low Uncertainty Avoidance:

Society does not mind ambiguous situations and embraces them.



Hofstede's Framework: Time Orientation

- Long-term Orientation
 - A national culture attribute that emphasizes the future, thrift, and persistence
- Short-term Orientation
 - A national culture attribute that emphasizes the present and the here and now



Hofstede's Framework: An Assessment

- There are regional differences within countries
- The original data is old and based on only one company
- Hofstede had to make many judgment calls while doing the research
- Some results don't match what is believed to be true about given countries
- Despite these problems it remains a very popular framework

Cultural Change

Culture evolves over time, although changes in value systems can be slow and painful

- Social turmoil is an inevitable outcome of cultural change
- Cultural change is particularly common as countries become economically stronger
- As countries get richer, there is a shift from “traditional values” to “secular rational”
- Globalization creating a convergence of cultures: the *convergence hypothesis*
- Countertrend of some cultures: reemphasizing uniqueness

Focus on Managerial Implications ¹

Cultural Literacy and Competitive Advantage

- Need for managers to develop cross-cultural literacy
- Connection between culture and national competitive advantage
- Connection between culture and ethics in decision making

Focus on Managerial Implications 2

Cultural Literacy and Competitive Advantage continued

Cross-Cultural Literacy

- Firms that are ill-informed about practices of another culture are unlikely to succeed in that culture
- Beware of **ethnocentric behavior**
 - Belief in the superiority of one's own culture

Focus on Managerial Implications ³

Cultural Literacy and Competitive Advantage continued

Culture and Competitive Advantage

- Connection between culture and competitive advantage
 - The value systems and norms of a country influence the costs of doing business in that country
 - The costs of doing business in a country influence the ability of firms to establish a competitive advantage
- Key points
 - The connection suggests which countries are likely to produce the most viable competitors
 - The connection has implications for the choice of countries in which to locate production facilities and do business



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