

International Business 7e

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Chapter 3

Differences in Culture

Introduction

- ❖ Successful international managers need **cross-cultural literacy** - an understanding of how cultural differences across and within nations can affect the way in which business is practiced
- ❖ A relationship may exist between culture and the costs of doing business in a country or region

What Is Culture?

❖ **Culture** is a system of values and norms that are shared among a group of people and that when taken together constitute a design for living where

-**values** are 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

❖ **Society** refers to a group of people who share a common set of values and norms

Values And Norms

- ❖ Values provide the context within which a society's norms are established and justified and form the bedrock of a culture
- ❖ Norms include **folkways** (the routine conventions of everyday life) and **mores** (norms that are seen as central to the functioning of a society and to its social life)

Classroom Performance System

Abstract ideas about what a group believes to be good, right, and desirable are called

- a) norms
- b) values
- c) folkways
- d) mores

Culture, Society, And The Nation-state

- ❖ There is not a strict one-to-one relationship between a society and a nation state
- ❖ Nation-states are political creations that can contain one or more cultures
- ❖ Similarly, a culture can embrace several nations

The Determinants Of Culture

❖ The values and norms of a culture are the evolutionary product of a number of factors at work in a society including religion, political and economic philosophies, education, language, and social structure

Social Structure

❖ **Social structure** refers to a society's basic social organization

Two dimensions to consider:

- ❖ the degree to which the basic unit of social organization is the individual, as opposed to the group
- ❖ the degree to which a society is stratified into classes or castes

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The basic social organization of a society is its

- a) culture
- b) social strata
- c) social structure
- d) caste system

Individuals And Groups

- ❖ A **group** is an association of two or more people 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
- ❖ Societies differ in terms of the degree to which the group is viewed as the primary means of social organization

Individuals And Groups

- ❖ In many Western societies, there is a focus on the individual, and individual achievement is common
- ❖ This contributes to the dynamism of the US economy, and high level of entrepreneurship
- ❖ But, leads to a lack of company loyalty and failure to gain company specific knowledge, competition between individuals in a company instead of team building, and less ability to develop a strong network of contacts within a firm

Individuals And Groups

- ❖ In many Asian societies, the group is the primary unit of social organization
- ❖ This may discourage job switching between firms, encourage lifetime employment systems, and lead to cooperation in solving business problems
- ❖ But, might also suppress individual creativity and initiative

Classroom Performance System

The group is the primary unit of social organization in

- a) Japan
- b) the United States
- c) Switzerland
- d) Mexico

Classroom Performance System

Which of the following is not characteristic of individualism?

- a) individual achievement
- b) low managerial mobility
- c) low company loyalty
- d) entrepreneurial behavior

Social Stratification

❖ All societies are stratified on a hierarchical basis into social categories, or **social strata**

While all societies are stratified to some extent, they differ by:

- ❖ the degree of mobility between social strata
- ❖ the significance attached to social strata in business contacts

Social Stratification

- ❖ **Social mobility** is the extent to which individuals can move out of the strata into which they are born
- ❖ A **caste system** is a closed system of stratification in which social position is determined by the family into which a person is born, and change in that position is usually not possible during an individual's lifetime
- ❖ A **class system** is a form of open social stratification in which the position a person has by birth can be changed through his or her achievement or luck

Social Stratification

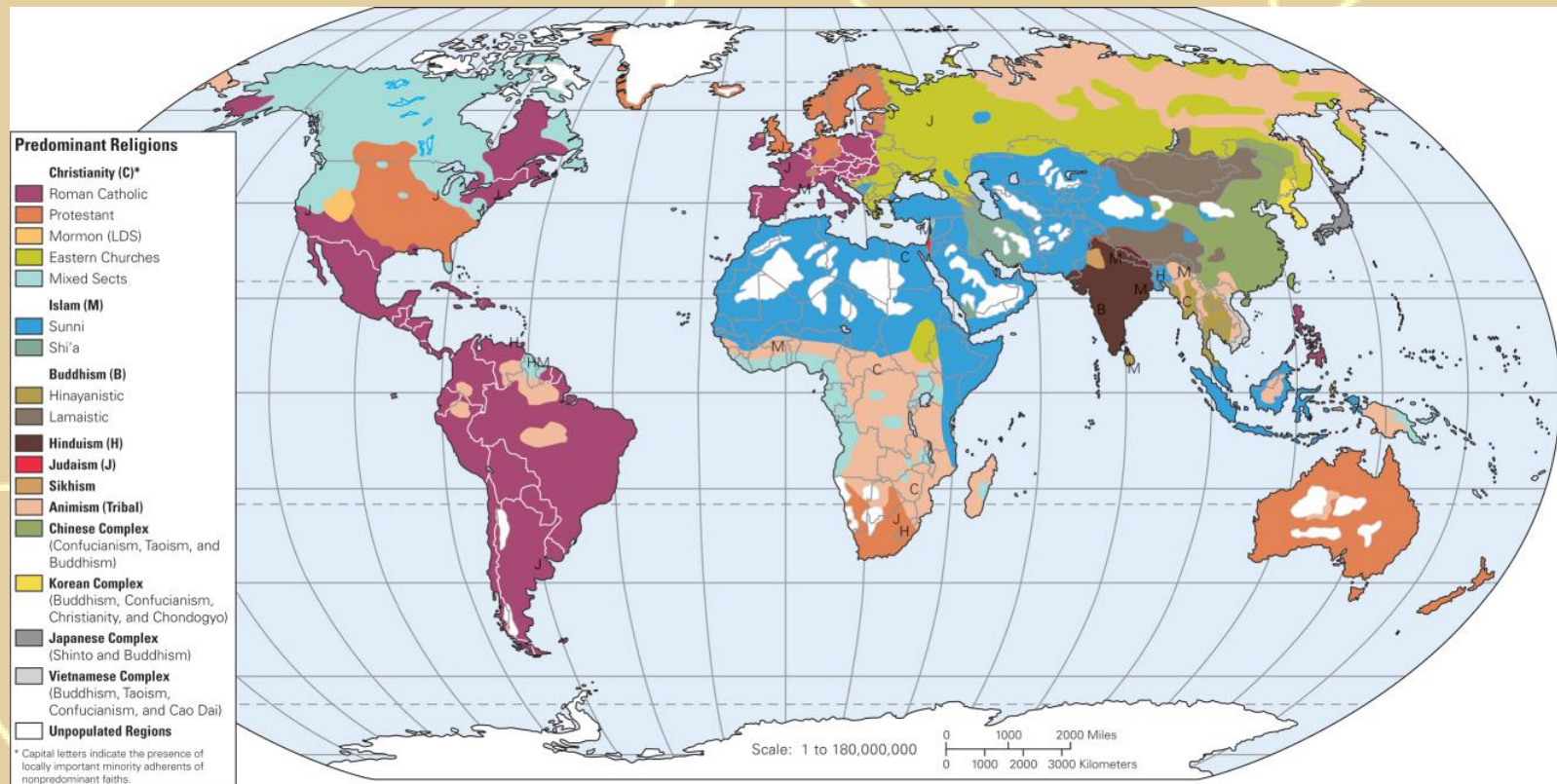
- ❖ The social stratification of a society is significant if it affects the operation of business organizations
- ❖ **Class consciousness** is a condition where people tend to perceive themselves in terms of their class background, and this shapes their relationships with others
- ❖ In cultures where class consciousness is high, the way individuals from different classes work together may be very prescribed and strained

Religious And Ethical Systems

- ❖ **Religion** is a system of shared beliefs and rituals that are concerned with the realm of the sacred
- ❖ **Ethical systems** are a set of moral principles, or values, that are used to guide and shape behavior
- ❖ Religion and ethics are often closely intertwined
- ❖ Four religions dominate society -Christianity, Islam, Hinduism, and Buddhism
- ❖ Confucianism is also important in influencing behavior and culture in many parts of Asia

Religious And Ethical Systems

Map 3.1 World Religions



Christianity

- ❖ Christianity is the world's largest religion and is found throughout Europe, the Americas, and other countries settled by Europeans
- ❖ Perhaps the most important economic implication of Christianity is **the Protestant work ethic**
- ❖ In 1804, Max Weber suggested that it was this ethic and its focus on hard work, wealth creation, and frugality, that was the driving force of capitalism

Islam

- ❖ **Islam**, the world's second largest religion, extends the underlying roots of Christianity to an all-embracing way of life that governs one's being
- ❖ In the West, Islamic fundamentalism is associated in the media with militants, terrorists, and violent upheavals, but in fact Islam teaches peace, justice, and tolerance
- ❖ Fundamentalists, who demand rigid commitment to religious beliefs and rituals, have gained political power in many Muslim countries, and blame the West for many social problems
- ❖ The key economic implication of Islam is that under Islam, people do not own property, but only act as stewards for God and thus must take care of that which they have been entrusted with, so while Islam is supportive of business, the way business is practiced is prescribed

Hinduism

- ❖ **Hinduism**, practiced primarily on the Indian sub-continent, focuses on the importance of achieving spiritual growth and development, which may require material and physical self-denial
- ❖ Since Hindus are valued by their spiritual rather than material achievements, there is not the same work ethic or focus on entrepreneurship found in some other religions
- ❖ Promotion and adding new responsibilities may not be the goal of an employee, or may be infeasible due to the employee's caste

Buddhism

- ❖ **Buddhism**, which has about 350 millions followers, stresses spiritual growth and the afterlife, rather than achievement while in this world
- ❖ Buddhism does emphasize wealth creation, and so entrepreneurial behavior is not stressed
- ❖ However, because Buddhism does not support the caste system, individuals do have some mobility and can work with individuals from different classes

Confucianism

- ❖ **Confucianism**, an ideology practiced mainly in China, teaches the importance of attaining personal salvation through right action
- ❖ High morals, ethical conduct, and loyalty to others is central in Confucianism
- ❖ Three key teachings of Confucianism - loyalty, reciprocal obligations, and honesty - may all lead to a lowering of the cost of doing business in Confucian societies

Classroom Performance System

Which religion promotes the notion that a moral force in society requires the acceptance of certain responsibilities called dharma?

- a) Islam
- b) Buddhism
- c) Hinduism
- d) Confucianism

Language

- ❖ Language refers to the spoken and unspoken means of communication
- ❖ Language is one of the defining characteristics of culture

Spoken Language

- ❖ Countries with more than one language often have more than one culture
- ❖ The most widely spoken language in the world, but Chinese is the mother tongue of the largest number of people
- ❖ English is also becoming the language of international business, but knowledge of the local language is beneficial, and in some cases, critical for business success

Unspoken Language

- ❖ Unspoken language refers to nonverbal communication such as facial expressions, personal space, and hand gestures
- ❖ Failing to understand the nonverbal cues of another culture can lead to communication failure

Classroom Performance System

The most widely spoken language in the world is

- a) Chinese
- b) Spanish
- c) Hindi
- d) English

Education

- ❖ Formal education is the medium through which individuals learn many of the language, conceptual, and mathematical skills that are indispensable in a modern society
- ❖ Education is important in determining a nation's competitive advantage
- ❖ General education levels can also be a good index for the kinds of products that might sell in a country

Culture And The Workplace

- ❖ It is important for companies to understand how a society's culture affects workplace values
- ❖ Management processes and practices must be adapted to culturally-determined work-related values
- ❖ Geert Hofstede identified four dimensions of culture: power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity

Culture And The Workplace

- ❖ **Power distance** focuses on how a society deals with the fact that people are unequal in physical and intellectual capabilities
- ❖ **Individualism versus collectivism** focuses on the relationship between the individual and his or her fellows
- ❖ **Uncertainty avoidance** measures the extent to which different cultures socialize their members into accepting ambiguous situations and tolerating ambiguity
- ❖ **Masculinity versus femininity** looks at the relationship between gender and work roles

Culture And The Workplace

Table 3.1: Work-Related Values for 20 Selected Countries

	Power Distance	Uncertainty Avoidance	Individualism	Masculinity
Argentina	49	86	46	56
Australia	36	51	90	61
Brazil	69	76	38	49
Canada	39	48	80	52
Denmark	18	23	74	16
France	68	86	71	43
Germany (F.R.)	35	65	67	66
Great Britain	35	35	89	66
India	77	40	48	56
Indonesia	78	48	14	46
Israel	13	81	54	47
Japan	54	92	46	95
Mexico	81	82	30	69
Netherlands	38	53	80	14
Panama	95	86	11	44
Spain	57	86	51	42
Sweden	31	29	71	5
Thailand	64	64	20	34
Turkey	66	85	37	45
United States	40	46	91	62

Culture And The Workplace

❖ Hofstede later expanded his study to include a fifth dimension called Confucian dynamism which captures attitudes toward time, persistence, ordering by status, protection of face, respect for tradition, and reciprocation of gifts and favors

Classroom Performance System

_____ focuses on how society deals with the fact that people are unequal in physical and intellectual capabilities.

- a) power distance
- b) individualism versus collectivism
- c) uncertainty avoidance
- d) masculinity versus femininity

Cultural Change

- ❖ Culture evolves over time, although changes in value systems can be slow and painful for a society
- ❖ Social turmoil is an inevitable outcome of cultural change
- ❖ As countries become economically stronger, cultural change is particularly common

Implications For Managers

- ❖ Societies differ because their cultures vary
- ❖ Cultures vary because of profound differences in social structure, religion, language, education, economic philosophy, and political philosophy

There are three important implications that flow from these differences:

1. There is a need to develop cross-cultural literacy
2. There is a connection between culture and national competitive advantage
3. There is a connection between culture and ethics in decision making

Cross-Cultural Literacy

- ❖ Cross-cultural literacy is critical to the success of international businesses
- ❖ Companies that are ill informed about the practices of another culture are unlikely to succeed in that culture
- ❖ Managers must also beware of ethnocentric behavior, or a belief in the superiority of one's own culture

Culture And Competitive Advantage

The connection between culture and competitive advantage is important because:

- ❖ it suggests which countries are likely to produce the most viable competitors
- ❖ it has implications for the choice of countries in which to locate production facilities and do business