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# Global Business Today 6e

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## Chapter 3

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# Differences in Culture

# Introduction

- Cross-cultural literacy (an understanding of how cultural differences across and within nations can affect the way in which business is practiced) is important to success in international business
- There may be a relationship between culture and the costs of doing business in a country or region
- Culture is not static, and the actions of MNEs can contribute to cultural change

# What is Culture?

Question: What is culture?

- **Culture** is a system of **values** (abstract ideas about what a group believes to be good, right, and desirable) and **norms** (the social rules and guidelines that prescribe appropriate behavior in particular situations) that are shared among a group of people and that when taken together constitute a design for living
- A **society** is 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
- Norms are the social rules that govern the actions of people toward one another and can be further subdivided into
  - **folkways** (the routine conventions of everyday life)
  - **mores** (norms that are seen as central to the functioning of a society and to its social life)

# Culture, Society, and the Nation-State

- A society can be defined as a group of people that share a common set of values and norms
- There is not a strict one-to-one correspondence between a society and a nation-state
  - Nation- states are political creations that can contain a single culture or several cultures
  - Some cultures embrace several nations

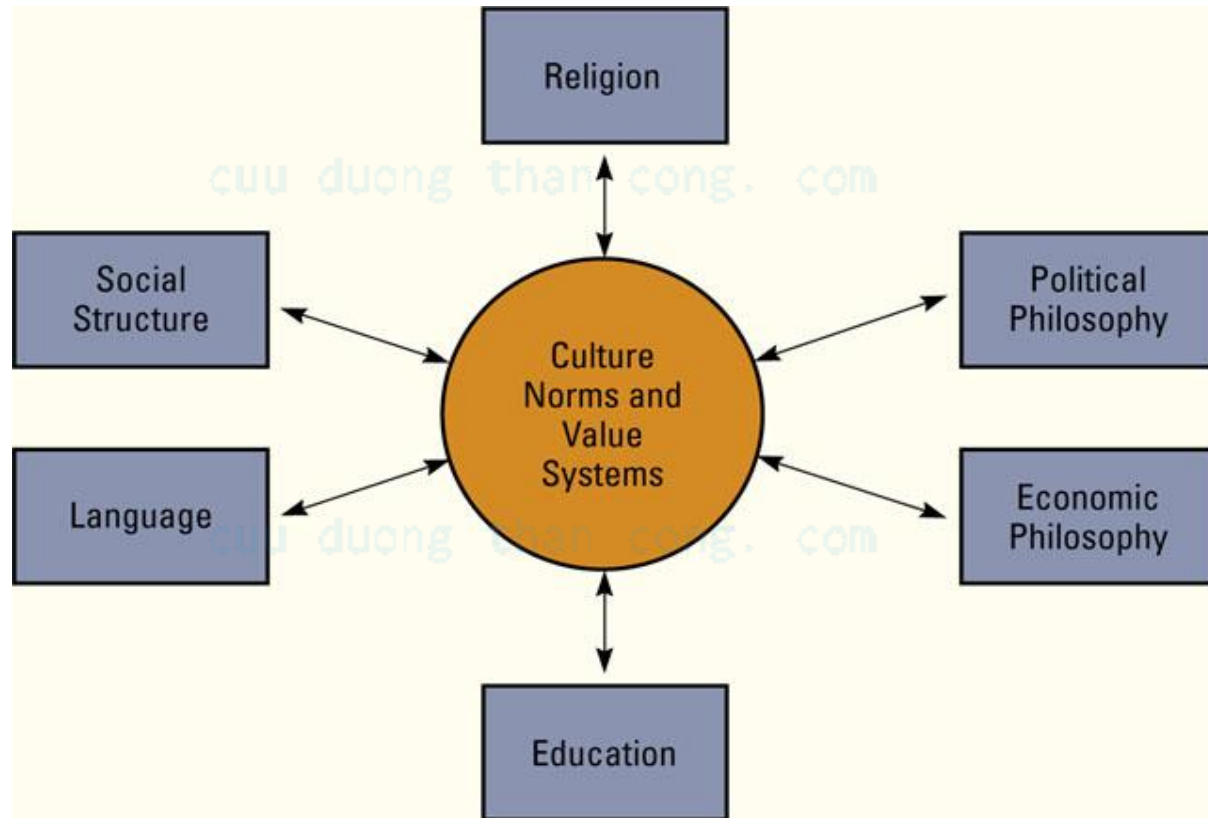
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# The Determinants of Culture

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

# The Determinants of Culture

## The Determinants of Culture





# Classroom Performance System

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

- a) Attitudes
- b) Norms
- c) Values
- d) Mores

# Social Structure

- A society's **social structure** is its 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

# Individuals and Groups

- A **group** is an 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
- Groups are common in many Asian societies
- Many Western countries emphasize the individual

# Individuals and Groups

- In societies where the **individual** is emphasized
  - individual achievement and entrepreneurship are promoted
  - but, this can encourage job switching, competition between individuals in a company rather than team building, and a lack of loyalty to the firm
- In societies with a strong identification with the **group**
  - cooperation and team work are encouraged and life time employment is common
  - but, individual initiative and creativity may be suppressed

# Social Stratification

- All societies are stratified on a hierarchical basis into social categories, or **social strata** (usually defined by characteristics such as family background, occupation, and income)
- Societies differ in terms of
  - the degree of mobility between social strata
  - the significance attached to social strata in a business context

# Social Stratification

- **Social mobility** refers to the extent to which individuals can move out of the strata into which they are born
- The most rigid system is the **caste system** (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 are unlikely)
- A less rigid system is the **class system** (a form of open social stratification in which the position a person has by birth can be changed through achievement or luck)

# Social Stratification

**Question:** What is the significance of social stratification for business?

- In cultures where there is a great deal of **class consciousness** (a condition where people tend to perceive themselves in terms of their class background, and this shapes their relationships with others), the way individuals from different classes work together (i.e. management and labor) may be prescribed
  - Antagonism between labor and management can raise the costs of doing business

# Classroom Performance System

The extent to which an individual can move out of the social strata into which they are born is called

- a) Social stratification
- b) Class mobility
- c) Social mobility
- d) Caste system



# Religious and Ethical Systems

- Religion is a system of shared beliefs and rituals that are concerned with the realm of the sacred
- Religions with the greatest following are
  - Christianity (1.7 billion adherents)
  - Islam (1 billion adherents)
  - Hinduism (750 million adherents)
  - Buddhism (350 million adherents)
  - Confucianism also influences behavior and shapes culture in many parts of Asia

# Religious and Ethical Systems

## Dominant Religions



# Religious and Ethical Systems

- Ethical systems are a set of moral principles, or values, that are used to guide and shape behavior
- The ethical practices of individuals within a culture are often closely intertwined with their religion

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# Christianity

- Christianity is the most widely practiced religion and is common throughout Europe, the Americas, and other countries settled by Europeans

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**Question:** What are the economic implications of Christianity?

- In 1904, Max Weber suggested that it was the Protestant work ethic (focus on hard work, wealth creation, and frugality) that was the driving force of capitalism

# Islam

- Adherents of Islam, called Muslims, believe that there is one true omnipotent God
- Islam is an all-embracing way of life that governs one's being

**Question:** What is Islamic fundamentalism?

- In the West, Islamic fundamentalism is associated in the media with militants, terrorists, and violent upheavals, however, the vast majority of Muslims point out that Islam teaches peace, justice, and tolerance
- Perhaps in response to the influence of Western ideas, some Muslims feel threatened, and are promoting a commitment to traditional beliefs and practices
- Fundamentalists have gained political power in many Muslim countries, and have tried to make Islamic law the law of the land

# Islam

**Question:** What are the economic implications of Islam?

- 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
- While Islam is supportive of business, the way business is practiced is prescribed
- Businesses that are perceived to be making a profit through the exploitation of others, by deception, or by breaking contractual obligations are unwelcome

# 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

**Question:** What are the economic implications of Hinduism?

- Hindus are valued by their spiritual rather than material achievements
- Promotion and adding new responsibilities may not be the goal of an employee, or may be infeasible due to the employee's caste

# Buddhism

- Buddhists, found mainly in Central and Southeast Asia, China, Korea, and Japan, stress spiritual growth and the afterlife, rather than achievement while in this world

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**Question:** What are the economic implications of Buddhism?

- Buddhism does not support the caste system, so individuals do have some mobility and can work with individuals from different classes
- Entrepreneurial activity is acceptable in Buddhist societies



# Confucianism

- Confucianism, practiced mainly in China, teaches the importance of attaining personal salvation through right action
- The need for high moral and ethical conduct and loyalty to others is central in Confucianism

**Question:** What are the economic implications of 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

The religion with the largest following in the world is

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

# Language

- Countries differ in terms of language or means of communication
- There are two forms language
  - spoken
  - unspoken
- Language is one of the defining characteristics of culture

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# 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
- However, knowledge of the local language is beneficial, and in some cases, critical for business success

# Unspoken Language

- Unspoken language refers to nonverbal cues
- Unspoken language such as facial expressions and hand gestures can be important for communication
- Many nonverbal cues are culturally bound and because they may be interpreted differently, can result in misunderstandings

# 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
- The knowledge base, training, and educational opportunities available to a country's citizens can also give it a competitive advantage in the market and make it a more or less attractive place for expanding business
- The general education level of a country is a good indicator of the types of products that might sell in that location or the type of promotional materials that might be successful

# Culture and the Workplace

**Question:** How does a society's culture impact on the values found in the workplace?

- The most famous study undertaken to answer this question was done by Geert Hofstede who isolated four dimensions that he believed summarized different cultures
  1. Power distance
  2. Individualism versus collectivism
  3. Uncertainty avoidance
  4. Masculinity versus femininity

# Culture and the Workplace

1. **Power distance** is focused on how a society deals with the fact that people are unequal in physical and intellectual capabilities
  2. **Individualism versus collectivism** is focused on the relationship between the individual and his or her fellows
  3. **Uncertainty avoidance** measures the extent to which different cultures socialize their members into accepting ambiguous situations and tolerating ambiguity
  4. **Masculinity versus femininity** looks at the relationship between gender and work roles
- Hofstede later added a fifth dimension, **Confucian dynamism**, to capture attitudes towards time, persistence, ordering by status, protection of face, respect for tradition, and reciprocation of gifts and favors



# Culture and the Workplace

## Hofstede's Four Dimensions

	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
Indonesia	78	48	14	46
India	77	40	48	56
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

# Classroom Performance System

Which of Hofstede's dimensions measures the extent to which different cultures socialize their members into accepting ambiguous situations and tolerating uncertainty?

- a) Individualism versus collectivism
- b) Uncertainty avoidance
- c) Masculinity versus femininity
- d) Power distance

# Cultural Change

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- 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

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Differences in culture imply that

1. there is a need for managers 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 (discussed in the next chapter)

# Cross-Cultural Literacy

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- Individuals and firms must develop cross-cultural literacy
- International businesses that are ill informed about the practices of another culture are unlikely to succeed in that culture
- Individuals must also beware of **ethnocentric behavior** (a belief in the superiority of one's own culture)

# Culture and Competitive Advantage

- For international companies, the connection between culture and competitive advantage is important because
  - 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

# Critical Discussion Question

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1. Outline why the culture of a country might influence the costs of doing business in that country. Illustrate your answer with examples.

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# Critical Discussion Question

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2. Do you think business practices in an Islamic country are likely to differ from business practices in the United States? If so, how?

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# Critical Discussion Question

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3. What are the implications for international business of differences in the dominant religion or ethical system of a country?

# Critical Discussion Question

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4. Choose two countries that appear to be culturally diverse. Compare the culture of those countries and then indicate how cultural differences influence (a) the costs of doing business in each country, (b) the likely future economic development of that country, (c) business practices, and (d) business ethics.

# Critical Discussion Question

5. Reread the Country Focus on Islamic Capitalism in Turkey. Then answer the following questions:

- a) Can you see anything in the value of Islam that is hostile to business?
- b) What does the experience of the region around Kayseri teach us about the relationship between Islam and business?
- c) What are the implications of Islamic values towards business for the participation of a country like Turkey in the global economy?

# Critical Discussion Question

6. Reread the Management Focus on DMG-Shanghai and answer the following questions:
- a) Why do you think it is so important to cultivate guanxi and guanxiwang in China?
  - b) What does the experience of DMG tell us about the way things work in China? What would likely happen to a business that obeyed all of the rules and regulations rather than trying to find a way round them as Dan Mintz apparently does?
  - c) What are the ethical issues that might arise when drawing upon guanxiwang to get things done in China? What does this suggest about the limits of using guanxiwang for a Western business committed to high ethical standards?