CULTURE: UNDERSTANDING DIVERSITY IN GLOBAL BUSINESS IN THE 21ST CENTURY

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ABSTRACT

A major challenge of doing business internationally is to adapt effectively to different cultures. Such adaptation requires an understanding of cultural diversity, perceptions, stereotypes, and values. In recent years, a great deal of research has been conducted on cultural dimensions and attitudes, and the findings have proved useful in providing integrative profiles of international cultures. However, a word of caution must be given when discussing these country profiles. It must be remembered that stereotypes and overgeneralizations should be avoided; there are always individual differences and even subcultures within every country. This research examines the meaning of culture as it applies to international management, reviews some of the value differences and similarities of various national groups, studies important dimensions of culture and their impact on behavior, and examines attitudinal dimensions and country clusters. The specific objectives of this research are to define the term culture, and discuss some of the comparative ways of differentiating cultures; to describe the concept of cultural values, and relate some of the international differences, similarities, and changes occurring in terms of both work and managerial values; to identify the major dimensions of culture relevant to work settings, and discuss their effect on behavior in an international environment; to discuss the value of country cluster analysis and relational orientations in developing effective international management practice.

Key Words: Achievement Culture, Femininity, Smallest Space Analysis, Globe, Neutral Culture.
INTRODUCTION

This Research provides an illustration of how important it is for MNCs to be responsive to differences in culture if they are to be successful. In Europe, Coke executives did not take into consideration the cultural preferences of European consumers of bottled water. Although Coke clarified its product and message, it will have a difficult time recovering and expanding in Europe after such a miscalculation. Through a better understanding of the importance of cultural norms on buying behavior, Coke might have realized that its U.S. bottled water product could not succeed in Europe without some modifications. MNCs that understand the cultures in which they do business will be better equipped to meet the needs of local consumers and to successfully manage their global operations. The word culture comes from the Latin cultus, related to cult or worship. In its broadest sense, the term refers to the result of human interaction. For the purposes of the study of international management, culture is acquired knowledge that people use to interpret experience and generate social behavior. This knowledge forms values, creates attitudes, and influences behavior. Most scholars of culture would agree on the following characteristics of culture:

**Learned culture** is not inherited or biologically based; it is acquired by learning and experience.

**Shared culture** is based on the human capacity to symbolize or use one thing to represent another.

**Symbolic culture** is based on the human capacity to symbolize or use one thing to represent another.

**Patterned culture** has structure and is integrated; a change in one part will bring changes in another.

**Adaptive culture** is based on the human capacity to change or adapt, as opposed to the more genetically driven adaptive process of animals. Because different cultures exist in the world, an understanding of the impact of culture on behavior is critical to the study of international management. If international managers do not know something about the cultures of the countries they deal with, the results can be quite disastrous.

CULTURAL DIVERSITY

There are many ways of examining cultural differences and their impact on international management. Culture can affect technology transfer, managerial attitudes, managerial ideology, and even business-government relations. There is a great deal of difference among the cultures of United States, Japan and Arab Countries. Culture affects a host of business-related activities, even including the common handshake. In overall terms, the cultural impact on international management is reflected by these basic beliefs and behaviors. Here are some specific examples where the culture of a society can directly affect management approaches; in some societies, top managers make all important organizational decisions. In others, these decisions are diffused throughout the enterprise, and middle- and lower-level managers actively participate in, and make, key decisions. In some societies, organizational decision makers are risk-averse and have great difficulty with conditions of uncertainty. In others, risk taking is encouraged, and decision making under uncertainty is common. In some countries, personnel who do outstanding work are given individual rewards in the form of bonuses and commissions. In others, cultural norms require group...
rewards, and individual rewards are frowned on. In some societies, much is accomplished through informal means. In others, formal procedures are set forth and followed rigidly. In some societies, people identify very strongly with their organization or employer. In others, people identify with their occupational group, such as engineer or mechanic; some societies encourage cooperation between their people. Others encourage competition between their people. Some cultures focus most heavily on short-term horizons, such as short-range goals of profit and efficiency. Others are more interested in long-range goals, such as market share and technologic development. The culture of some countries encourages stability and resistance to change. The culture of others puts high value on innovation and change.

These cultural differences influence the way that international management should be conducted. "International Management in Action: Business Customs in Japan" provides some examples from a country where many international managers are unfamiliar with day-to-day business protocol. Another way of depicting cultural diversity is through concentric circles. This level is observable and consists of such things as language, food, buildings, and art. The middle ring contains the norms and values of the society. These can be both formal and informal, and they are designed to help people understand how they should behave. The inner circle contains the basic, implicit assumptions that govern behavior. By understanding these assumptions, members of a culture are able to organize themselves in a way that helps them increase the effectiveness of their problem-solving processes and interact well with each other. A supplemental way of understanding cultural differences is to compare culture as a normal distribution and then to examine it in terms of stereotyping.

VALUES IN CULTURE

A major dimension in the study of culture is values. Values are basic convictions that people have regarding what is right and wrong, good and bad, important and unimportant. These values are learned from the culture in which the individual is reared, and they help to direct the person's behavior. Differences in cultural values often result in varying management practices. For example, U.S. values can result in one set of business responses and that alternative values can bring about different responses. Personal values have been the focus of numerous intercultural studies. In general, the findings show both differences and similarities between the work values and managerial values of different cultural groups. For example, one study found differences in work values between Western-oriented and tribal-oriented black employees in South Africa. The Western-oriented group accepted most of the tenets of the Protestant work ethic, but the tribal-oriented group did not. The results were explained in terms of the differences of the cultural backgrounds of the two groups.

The personal values systems are relatively stable and do not change rapidly. However, changes are taking place in managerial values as a result of both culture and technology. A good example is the Japanese. The Japanese values are changing and not just among managers outside the country. One study examined value systems among three groups of managers in Japan: a group of Japanese managers who hail graduated from the Japanese Institute for International Studies and Training at least 10 years previously; a group of Japanese management trainees who currently were enrolled in the institute; and a group of U.S. MBA
students who were taking MBA courses at the institute. The results showed that the Japanese managers were greatly concerned with job security, whereas the U.S. MBA students valued achievement. The Japanese managers put great importance on group success; the U.S. MBA students highly valued personal success. Although there were some exceptions, the two groups had contrasting values. The profiles of the Japanese students meanwhile, fell between these two extremes. Two-thirds of responses were in this middle range. Recently there is increasing evidence that individualism in Japan is on the rise. The country’s long economic slump has convinced many Japanese that they cannot rely on the large corporations or the government to ensure their future. They have to do it for themselves. As a result, today a growing number of Japanese are starting to embrace what is being called the "era of personal responsibility." Instead of denouncing individualism as a threat to society, they are proposing it as a necessary solution to many of the country’s economic ills. A vice-chairman of the nation’s largest business lobby summed up this thinking at the opening of a recent conference on economic change when he said, "By establishing f personal responsibility, we must return dynamism to the economy and revitalize society. This thinking is supported by Lee and Peterson’s research which reveals that a culture with strong entrepreneurial orientation is important to global competitiveness, especially in the small business sector of an economy. So this current trend may well be helpful to the Japanese economy in helping it meet foreign competition at home.

POWER DISTANCE & UNCERTAINTY AVOIDANCE

Power distance is the extent to which less powerful members of institutions and organizations accept that power is distributed unequally. Countries in which people blindly obey the orders of their superiors have high power distance. In many societies, lower-level employees tend to follow orders as a matter of procedure. In societies with high power distance, however, strict obedience is found even at the upper levels; examples include Mexico, South Korea and India. Uncertainty avoidance is “the extent to which people feel threatened by ambiguous situations and have created beliefs and institutions that try to avoid these”. Countries populated with people who do not like uncertainty tend to have a high need for security and a strong belief in experts and their knowledge; example include Germany, Japan and Spain. Cultures with low uncertainty avoidance have people who are more willing to accept that risks are associated with the unknown that life must go on in spite of this. Examples here are Denmark and Great Britain.

INDIVIDUALISM & MASCULINITY

Individualism is the tendency of people to look after themselves and their immediate family only. This is cultural difference on a bipolar continuum with individualism at one end and collectivism at the other. Collectivism is the tendency of people to belong to groups or collectives and to look after each other in exchange for loyalty. Like the effects of the other cultural dimensions, the effects of individualism and collectivism can be measured in a number of different ways. The wealthy countries have higher individualism scores and poorer countries higher collectivism scores. Countries with high individualism also tend to have greater support for the Protestant work ethic, greater individual initiative, and promotions based on market value. Countries with low individualism tend to have less support for the Protestant work ethic, less individual initiative, and promotions based on seniority. Countries with a high masculinity index,
such as the Germanic countries, place great importance on earnings, recognition, advancement, and challenge. Individuals are encouraged to be independent division makers, and achievement is defined in terms of recognition and wealth. The workplace is often characterized by high job stress, and many managers believe that their employees dislike work and must be kept under some degree of control. A description of the four dimensions of culture is useful in helping to explain the differences between various countries, and has extended beyond this focus and shown how countries can be described in terms of pairs of dimensions. Since, additional multicultural studies have been conducted, and the number of countries and clusters has increased. These country clusters are particularly important in providing an overall picture of international cultures.

COUNTRY CLUSTERS

These studies examined variables in four categories the importance of work goals; need deficiency, fulfillment, and job satisfaction; managerial and organizational variables; and work role and interpersonal orientation. Each of the eight country cluster studies had produced different results. Some had focused only on one part of the world, such as the Far East or the Middle East; others had been more international in focus but arrived at different cluster groupings. As multinational companies increase their direct investment overseas, especially in less developed and consequently less studied areas, they will require more information concerning their local employees in order to implement effective types of interactions between the organization and the host country. The knowledge acquired thus far can help one to understand better the work values and attitudes of employees throughout the world. American theories work very well for Western nations. Are they equally applicable in non-Western countries? Clearly, more cluster research is called for, including research in countries from all parts of the globe. Empirical evidence shows that international managers share a common international culture, so there may well be much more convergence than previously has been believed. There also may be much more recent adaptation to the local culture by national firms than many outside observers realize. In short, although recognizing cultural diversity still is vital, convergence and flexibility in the international arena are gaining momentum.

NEUTRAL CULTURAL DIMENSIONS

A neutral culture is one in which emotions are held in check. Both Japan and the United Kingdom are high-neutral cultures. People in these countries try not to show their feelings; they act stoically and maintain their composure. An emotional culture is one in which emotions are openly and naturally expressed. People in emotional cultures often smile a great deal, talk loudly when they are excited, and greet each other with a great deal of enthusiasm. The Netherlands and Switzerland are examples of high emotional cultures. Specific culture is one in which individuals have a large public space they readily let others enter and share and a small private space they guard closely and share with only close friends and associates. A diffuse culture is one in which public space and private space are similar in size and individuals guard their public space carefully, because entry into public space affords entry into private space as well. Austria, the United Kingdom, the United States, and Switzerland all are specific cultures, while Venezuela, China, and
Spain are diffuse cultures. In specific cultures, people often are invited into a person's open, public space; individuals in these cultures often are open and extroverted; and there is a strong separation of work and private life. In diffuse cultures, people are not quickly invited into a person's open, public space, because once they are in, there is easy entry into the private space as well. Individuals in these cultures often appear to be indirect and introverted, and work and private life often are closely linked. An achievement culture is one in which people are accorded status based on how well they perform their functions. An ascription culture is one in which status is attributed based on who or what a person is. Achievement cultures give high status to high achievers, such as the company's number-one salesperson or the medical researcher who has found a cure for a rare form of bone cancer. Ascription cultures accord status based on age, gender, or social connections. For example, in an ascription culture, a person who has been with the company for 40 years may be listened to carefully because of the respect that others have for the individual's age and longevity with the firm, and an individual who has friends in high places may be afforded status because of whom she knows.

Aside from the five relationship orientations, another major cultural difference is the way in which people deal with the concept of time, has identified two different approaches sequential and synchronous. In cultures where sequential approaches are prevalent, people tend to do only one activity at a time, keep appointments strictly, and show a strong preference for following plans as they are laid out and not deviating from them. In cultures where synchronous approaches are common, people tend to do more than one activity at a time, appointments are approximate and may be changed at a moment's notice, and schedules generally are subordinate to relationships. People in synchronous-time cultures often will stop what they are doing to meet and greet individuals coming into their office. A good contrast is provided by the United States, Mexico, and France. In the United States, people tend to be guided by sequential-time orientation and thus set a schedule and stick to it. Mexicans operate under more of a synchronous-time orientation and thus tend to be much more flexible, often building slack into their schedules to allow for interruptions. The French are similar to the Mexicans and, when making plans, often determine the objectives they want to accomplish but leave open the timing and other factors that are beyond their control; this way, they can adjust and modify their approach as they go along. For the French and Mexicans, what was important was that they get to the end, not the particular path or sequences by which that end were reached.

CULTURAL PATTERNS OR CLUSTERS

Both the United States and United Kingdom profiles are the same, except for the neutral (U.K.) and emotional (U.S.) dimension. So are those in most of the Asian countries, including Japan, which was left out of the clusters and labeled an independent. Brazil, which also was left out of the clusters, continues to be sufficiently different from other members of the Latin American group. In other words, Brazil still appears to be independent. Additionally, while France and Belgium, in the Latin European, have identical profiles, Spain is significantly different from both of them is well as from Italy. This shows that earlier cluster groups,
may need to be revised in light of more recent data. With only small differences, research helps to support and, more important, to extend the work. Such research provides a useful point of departure for recognizing cultural differences, and it provides guidelines for doing business effectively around the world.

THE GLOBE PROJECT

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) research program reflects an additional approach to measuring cultural differences. The GLOBE Project extends and integrates previous analyses of cultural attributes and variables. At the heart of the project is the study and evaluation of nine different cultural attributes using middle managers. When developing the measures and implementing the studies, they also used archival measures of country economic prosperity and of the physical and psychological well-being of the cultures studied. Countries were selected so that every major geographic location in the world was represented. Additional countries, including those with unique types of political and economic systems, were selected to create a complete and comprehensive database upon which to build the analyses. The GLOBE study is interesting because its nine constructs were defined, conceptualized, and operationalized by a multicultural team of researchers. In addition, the data in each country were collected by investigators who were either natives of the cultures studied or had extensive knowledge and experience in those cultures. GLOBE researchers adhere to the belief that certain attributes that distinguish one culture from others can be used to predict the most suitable, effective, and acceptable organizational and leader practices within that culture. In addition, they contend that societal culture has a direct impact on organizational culture and that leader acceptance stems from tying leader attributes and behaviors to subordinate norms.

The GLOBE project set out to answer many fundamental questions about culture variables shaping leadership and organizational processes. The meta-goal of GLOBE is to develop an empirically based theory to describe, understand, and predict the impact of specific cultural variables on leadership and organizational processes and the effectiveness of these processes. The collectivism dimension measures societal emphasis on collectivism; low scores reflect individualistic emphasis, and high scores reflect collectivistic emphasis by means of laws, social programs, or institutional practices. The collectivism scale measures in-group (family or organization) collectivism such as pride in and loyalty to family or organization and family or organizational cohesiveness. The GLOBE researchers developed (he two dimensions they labeled "gender egalitarianism" and "assertiveness." Likewise, the future orientation, performance orientation, and humane orientation measures have their origin in past research. These measures are therefore integrative and combine a number of insights from previous studies.

WORLD OF BUSINESS WEEK: A REVIEW

The article that opens this research illustrates the importance of MNCs gaining an understanding of the culture of the countries in which they do business. With proper market research, Coca-Cola might have realized that did not contain the ingredients preferred by European bottled-water consumers. Now, Coke must spend time and money to change the brand image with no guaranteed results, Having read this
research, you should understand the impact culture has on the actions of MNCs, including general management practices and relations with employees and customers, and on maintaining overall reputation.

SUMMARY

Culture is acquired knowledge that people use to interpret experience and generate social behavior. Culture also has the characteristics of being learned, shared, trans-generational, symbolic, patterned, and adaptive. There are many dimensions of cultural diversity, including centralized vs. decentralized decision making, safely vs. risk, individual vs. group rewards, informal vs. formal procedures, high vs. low organizational loyalty, cooperation vs. competition, short-term vs. long-term horizons, and stability vs. innovation. Values are basic convictions that people have regarding what is right and wrong, good and bad, important and unimportant. Research shows that there are both differences and similarities between the work values and managerial values of different cultural groups. Work values often reflect culture and industrialization, and managerial values are highly related to success. Research shows that values tend to change over time and often reflect age and experience, has identified and researched four major dimensions of culture power distance, uncertainty avoidance, individualism, and masculinity. Each will affect a country’s political and social system. The integration of these factors into two-dimensional figures can illustrate the complexity of culture’s effect on behavior. In recent years, researchers have attempted to cluster countries into similar cultural groupings to study similarities and differences. Through use of smallest space analysis, they have constructed two-dimensional maps that illustrate the similarities in work values and attitudes between countries, also looked at attitudes toward time and toward the environment. The result is a wealth of information helping to explain how cultures differ as well as practical ways in which MNCs can do business effectively in these environments. In particular, his findings update while at the same time help to support the previous work on clustering countries. Recent research undertaken by the GLOBE project has attempted to extend and integrate cultural attributes and variables as they relate to managerial leadership and practice.

REFERENCES

5. For additional insights, see Mark F. Peterson et al., "Role Conflict, Ambiguity, and Overload; A 21-Nalion Study," Academy of Management Journal, June 2005, pp. 429 - 452.