PART TWO

THE ROLE OF CULTURE

Chapter 4

THE MEANINGS AND DIMENSIONS OF CULTURE

OBJECTIVES OF THE CHAPTER

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 chapter 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 country clusters. The specific objectives of this chapter are:

1. **DEFINE** the term *culture,* and discuss some of the comparative ways of differentiating cultures.
2. **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.
3. **IDENTIFY** the major dimensions of culture relevant to work settings, and discuss their effects on behavior in an international environment.
4. **DISCUSS** the value of country cluster analysis and relational orientations in developing effective international management practices.

The World of *International Management*

The Cultural Roots of Toyota's Quality Crisis

Worldwide, the Toyota brand name has been a symbol of quality. Toyota's focus on Kaizen (the Japanese term meaning "continuous improvement") helped Toyota become the number one seller of automobiles in the world.

In light of Toyota's commitment to quality, it was shocking when Toyota announced a massive recall of many of its vehicles in early 2010. On January 21, 2010, Toyota stated that it would recall approximately 2.3 million vehicles to correct sticking accelerator pedals, and, on top of that, approximately 4.2 million vehicles would have an ongoing recall for a floor mat pedal entrapment issue. By late February 2010, Toyota had recalled "about 8.5 million vehicles for problems related to gas pedals and brakes," according to CNN.

Jeff Kingston of Temple University Japan estimated that the recall cost Toyota $2 billion. Moreover, the way Toyota managed the crisis was even worse than the financial consequences. The president of the company, Akio Toyoda, the grandson of Toyota's founder, did not appear publicly for two weeks after the recall announcement. When he did appear, Toyoda took the path of minimizing the problem, citing a software issue, rather than a defect, as the source of the pedal problems. Some uncertainty remains as to whether the problems originated in Toyota plants in America or whether the problem can be traced to designers in Japan. Kingston asserted that Toyota's failure to be forthcoming on critical safety issues has put "the trust of its customers worldwide" in jeopardy.

Where did Toyota go wrong? How did the symbol of quality become tarnished? Some contend that cultural factors contributed to Toyota's current crisis.

How Japanese Culture Influenced Toyota

In his *Wall Street Journal* article, Kingston explained the cultural roots of Toyota's woes. He indicated that "a culture

of deference" in Japanese firms "makes it hard for those lower in the hierarchy to question their superiors or inform them about problems." In addition, the Japanese tend to focus on the consensus, which can make it difficult "to challenge what has been decided or designed." In Japan, Kingston noted that "employees' identities are closely tied to their company's image and loyalty to the firm overrides concerns about consumers."

One can deduce how Toyota's problems arose in this cultural environment. If subordinates noticed a problem in vehicular accelerators, they would likely be hesitant to

- Report the problem to their superiors (culture of deference)
- Criticize their team members who designed the accelerators (focus on consensus)
- Request the firm spend extra money to redesign the accelerators for greater consumer safety (loyalty to the firm over concern for consumers)

Moreover, Kingston noted that Japanese corporations have a poor record when responding to consumer safety issues. He described the typical Japanese corporation's response in the following way:

- Minimization of the problem
- Reluctance to recall the product
- Poor communication with the public about the problem
- Too little compassion and concern for customers adversely affected by the product

Why do Japanese firms usually respond this way to consumer safety issues? Kingston gave three reasons. First, "compensation for product liability claims is mostly derisory or nonexistent" in Japan. In other words, Japanese corporations have little to lose by their minimal response. Second, Kingston describes Japan as "a nation obsessed with craftsmanship and quality." In such an environment, there is significant "shame and embarrassment of owning up to product defects." Corporations may seek to deny their products have safety concerns in order to "save face," i.e., to protect their companies' reputations. Third, Kingston told CNN that "Japanese companies are oddly disconnected with their consumers." In an article printed in *The Wall Street Journal,* Toyota President Akio Toyada wrote: "[I]t is clear to me that in recent years we didn't listen as carefully as we should—or respond as quickly as we must—to our customers' concerns."

Cultural factors can explain another aspect of Toyota's problems—public relations. Toyota has received much less negative attention in the Japanese media as compared with the American media. Professors Johnson, Lim, and Padmanabhan of St. Mary's University offer insight on why this occurred. They stated, "The American culture demands transparency and action, whereas the Japanese culture assumes that taking ownership of problems and apologies will suffice." Akio Toyoda publicly apologized at press conferences for the inconvenience caused by the Toyota recall and took personal responsibility for the consumer safety issues. For the Japanese media, that was enough. But not for the American media.

Johnson, Lim, and Padmanabhan explained that, while American corporations are expected to be transparent about their problems, Japanese firms have adopted the business practice of keeping problems "in-house." Americans have interpreted Toyota's reticent attitude to mean that Toyota is trying to cover up its problems. Johnson, Lim, and Padmanabhan pointed out, "Since Toyota is firmly established in the U.S., it needs to be meticulously transparent."

Toyota's Global Strategy Challenge

In contrast to the cultural explanation of Toyota's issues, Bill Fischer on Management Issues.com offered a different perspective, suggesting that Toyota's obsession with growth was the cause of the problems. In his view, companies "can expand by either opening new markets or offering new competencies, but not by doing both at the same time!" Fischer emphasized that companies lack a "head-start" based on using their existing "know-how" by "moving into new product areas, in new geographic markets with new factory settings." Transmitting "know-how" requires personal interaction which is difficult over long distances. Fischer concluded that "successful globalization is much too difficult a journey without the assurance of having some knowledge that gives your organization a basis for advantage. . . . To do otherwise is to risk following on the wrong Toyota path to success." In other words, Toyota made a strategic error in its global expansion.

Johnson, Lim, and Padmanabhan offered further explanation on this idea: "When Toyota focused on the Kaizen culture, it was able to maintain closer links with its suppliers, and ensure the quality of its components primarily because they were located in close proximity to Toyota's plants. However, when their expansion and growth strategies required them to build production facilities overseas, and given intense competition in the auto industry, Toyota had to resort to a strategy where they forced suppliers to compete on price. Since it is difficult to pursue Kaizen because of geographic distance, Toyota may have inadvertently sacrificed quality for cost considerations. Mr. Toyoda admitted as much himself when he recently told Congress that his company's focus on growth replaced its traditional priorities of improvements in safety and quality."

Going Forward

With an understanding of what caused Toyota's crisis, what steps should Toyota take going forward? Kingston recommended that Toyota become more focused on the customer and improve corporate governance by appointing independent outside directors. Johnson, Lim, and Padmanabhan suggest that Toyota use this crisis as an opportunity "to adapt its management style to become more decentralized and responsive." Toyota managers need to keep their key cultural strength (Kaizen) while mitigating the negative aspects of their culture which have contributed to the company's present problems. With good managerial oversight, Toyota may once again regain its status as a worldwide symbol of quality.

Our opening discussion in The World of International Management about Toyota shows how culture can have a great impact on business practices. National cultural characteristics can strengthen, empower, and enrich management effectiveness and success. Some cultural qualities, however, may interfere with or constrain managerial decision making and efficacy. Japan's culture has often been credited with creating high quality products that are the envy of the world. Canon, SONY, Toyota and others are cited as exemplars in their respective industries, partly because they have leveraged some of the most productive aspects of Japanese culture. At the same time, these same cultural characteristics may retard communication and openness, which may be critical in times of crisis. MNCs that are aware of the potential positives and negatives of different cultural characteristics will be better equipped to manage under both smooth and trying times and environments.

The Nature of Culture

The word *culture* comes from the Latin *cultura,* which is related to cult or worship. In its broadest sense, the term refers to the result of human interaction.[1] For the purposes of the study of international management, **culture** is acquired knowledge that people use to interpret experience and generate social behavior.[2] This knowledge forms values, creates attitudes, and influences behavior. Most scholars of culture would agree on the following characteristics of culture:

culture
Acquired knowledge that people use to interpret experience and generate social behavior. This knowledge forms values, creates attitudes, and influences behavior.

1. *Learned.* Culture is not inherited or biologically based; it is acquired by learning and experience.
2. *Shared.* People as members of a group, organization, or society share culture; it is not specific to single individuals.
3. *Transgenerational.* Culture is cumulative, passed down from one generation to the next.
4. *Symbolic.* Culture is based on the human capacity to symbolize or use one thing to represent another.
5. *Patterned.* Culture has structure and is integrated; a change in one part will bring changes in another.
6. *Adaptive.* Culture is based on the human capacity to change or adapt, as opposed to the more genetically driven adaptive process of animals.[3]

Because different cultures exist in the world, an understanding of the impact of culture on behavior is critical to the study of international management.[4] If international managers do not know something about the cultures of the countries they deal with, the

results can be quite disastrous. For example, a partner in one of New York's leading private banking firms tells the following story:

> I traveled nine thousand miles to meet a client and arrived with my foot in my mouth. Determined to do things right, I'd memorized the names of the key men I was to see in Singapore. No easy job, inasmuch as the names all came in threes. So, of course, I couldn't resist showing off that I'd done my homework. I began by addressing top man Lo Win Hao with plenty of well-placed Mr. Hao's—sprinkled the rest of my remarks with a Mr. Chee this and a Mr. Woon that. Great show. Until a note was passed to me from one man I'd met before, in New York. Bad news. "Too friendly too soon, Mr. Long," it said. Where diffidence is next to godliness, there I was, calling a room of VIPs, in effect, Mr. Ed and Mr. Charlie. I'd remembered everybody's name—but forgot that in Chinese the surname comes *first* and the given name *last*.[5]

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. Perhaps most important, culture affects how people think and behave. Table 4–1, for example, compares the most important cultural values of the United States, Japan, and Arab countries. A close look at this table shows a great deal of difference among these three cultures. Culture affects a host of business-related activities, even including the common handshake. Here are some contrasting examples:

Culture	Type of Handshake
United States	Firm
Asian	Gentle (shaking hands is unfamiliar and uncomfortable for some; the exception is the Korean, who usually has a firm handshake)
British	Soft
French	Light and quick (not offered to superiors); repeated on arrival and departure
German	Brusque and firm; repeated on arrival and departure
Latin American	Moderate grasp; repeated frequently
Middle Eastern	Gentle; repeated frequently
South Africa	Light/soft; long and involved[6]

Table 4–1
Priorities of Cultural Values: United States, Japan, and Arab Countries

United States	Japan	Arab Countries
1. Freedom	1. Belonging	1. Family security
2. Independence	2. Group harmony	2. Family harmony
3. Self-reliance	3. Collectiveness	3. Parental guidance
4. Equality	4. Age/seniority	4. Age
5. Individualism	5. Group consensus	5. Authority
6. Competition	6. Cooperation	6. Compromise
7. Efficiency	7. Quality	7. Devotion
8. Time	8. Patience	8. Patience
9. Directness	9. Indirectness	9. Indirectness
10. Openness	10. Go-between	10. Hospitality

Note: "1" represents the most important cultural value. "10" the least.

Source: Adapted from information found in F. Elashmawi and Philip R. Harris, *Multicultural Management* (Houston: Gulf Publishing, 1993), p. 63.

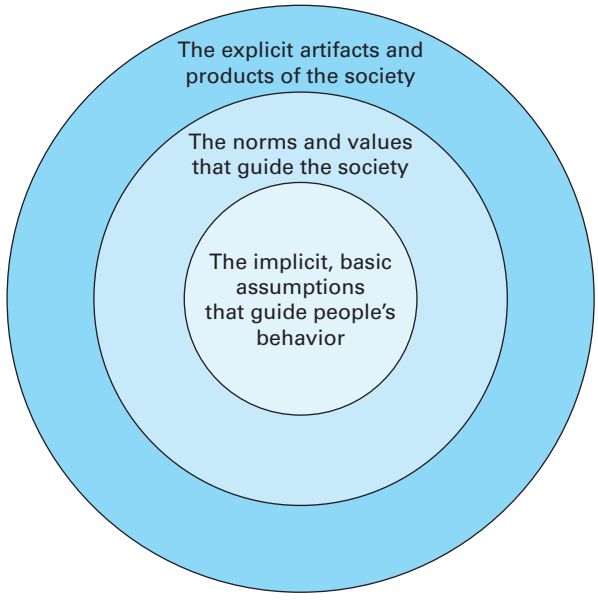
In overall terms, the cultural impact on international management is reflected by basic beliefs and behaviors. Here are some specific examples where the culture of a society can directly affect management approaches:

- *Centralized vs. decentralized decision making.* 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.
- *Safety vs. risk.* 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.
- *Individual vs. group rewards.* 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.
- *Informal vs. formal procedures.* In some societies, much is accomplished through informal means. In others, formal procedures are set forth and followed rigidly.
- *High vs. low organizational loyalty.* 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.
- *Cooperation vs. competition.* Some societies encourage cooperation between their people. Others encourage competition between their people.
- *Short-term vs. long-term horizons.* 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 technological development.
- *Stability vs. innovation.* 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. The nearby International Management in Action, "Business Customs in South Africa," 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 visually separating its components. Figure 4–1 provides an example by using concentric circles. The outer ring consists of the explicit artifacts and products of the culture. This level is observable and consists

Figure 4–1
A Model of Culture



International Management in Action

Business Customs in South Africa

The proper methods for conducting business in Africa can vary greatly depending on the region. As mentioned in Chapter 2, Africa consists of many traditions often within the same area. Adding further complication is the propensity for northern regions of Africa to mirror Islamic fundamentals. For simplicity, we will focus on some suggestions with regard to business customs in one country, South Africa:

1. Arrange a meeting before discussing business over the phone. Most South Africans prefer face-to-face interactions. Be prepared for informal small talk before and during the meeting to be better acquainted. In most cases, first meetings are less about business and more about establishing a relationship. Sincere inquiries about family or discussion of topics such as sports (e.g., rugby, cricket, or soccer) are encouraged to avoid talking about racial politics as it is viewed as taboo.
2. Appointments should be made as far in advance as possible. There is a chance that senior-level managers may be unavailable on short notice, but last-minute arrangements occur often. South Africans are early risers, so breakfast and lunch meetings are quite common. If you have a few meetings scheduled, be sure to allow ample time between them as the view of time is more lax in this area and meetings are prone to being postponed.
3. When introduced, maintain eye contact, shake hands, and provide business cards to everyone. Do not sit until invited to do so. Men and women do not shake hands as often in South Africa, so wait for women to initiate handshakes. Women visiting the country who extend their hand may not have it taken by a South African male, do not take this as a rude response.
4. Since women are not yet in senior level positions in South Africa, female representatives may encounter condescending behavior or "tests" that would not be extended to male counterparts. Men are expected to leave a room before the women as a "protective" measure, and when a woman or elder enters the room, men are expected to stand.
5. After establishing a trustworthy relationship, make business plans clear, including deadlines, since these are seen as more fluid than contractual. Be sure to keep a tone of negotiation while keeping figures manageable. Negotiation is not their strong point, and an aggressive approach will not prove to be successful. Maintain a win-win strategy.
6. Patience is very important when dealing with business. Never interrupt a South African. Be prepared for a long lag-time between business proposition and acceptance or rejection. Decision-making procedures include a lot of discussion between top managers and subordinates, resulting in slow processes.
7. Keep presentations short, and do away with flashy visuals. Follow up and be clear that you intend to continue relations with the business or individual; a long-term business relationship is valued with South Africans.

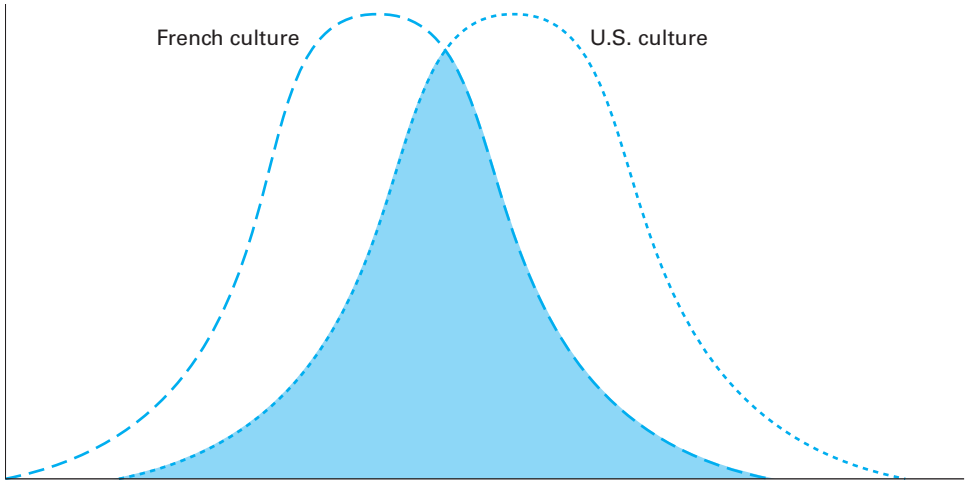
Source: www.kwintessential.co.uk/resources/global-etiquette/south-africa-country-profile.html; Going Global Inc., "Cultural Advice," *South Africa Career Guide, 2006,* content.epnet.com.ps2.villanova.edu/pdf18_21/pdf/2006/ONI/01Jan06/22291722.pdf; Fons Trompenaars and Charles Hampden-Turner, *Riding the Waves of Culture: Understanding Diversity in Global Business,* 2nd ed. (New York: McGraw-Hill, 1998), p. 25.

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 implicit, basic 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. In explaining the nature of the inner circle, Trompenaars and Hampden-Turner have noted that:

> The best way to test if something is a basic assumption is when the [situation] provokes confusion or irritation. You might, for example, observe that some Japanese bow deeper than others. . . . If you ask why they do it the answer might be that they don't know but that the other person does it too (norm) or that they want to show respect for authority (value). A typical Dutch question that might follow is: "Why do you respect authority?" The most likely Japanese reaction would be either puzzlement or a smile (which might be hiding their irritation). When you question basic assumptions you are asking questions that have never

Figure 4–2

Comparing Cultures as Overlapping Normal Distributions



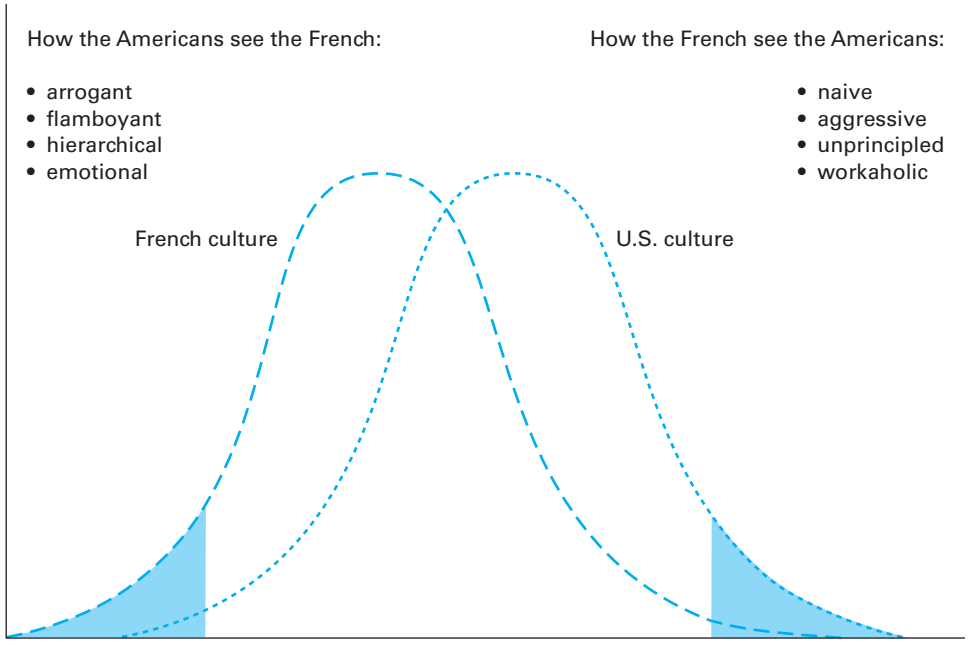
Source: Adapted from Fons Trompenaars and Charles Hampden-Turner, *Riding the Waves of Culture: Understanding Diversity in Global Business,* 2nd ed. (New York: McGraw-Hill, 1998), p. 25.

been asked before. It might lead others to deeper insights, but it also might provoke annoyance. Try in the USA or the Netherlands to raise the question of why people are equal and you will see what we mean.[7]

A supplemental way of understanding cultural differences is to compare culture as a normal distribution, as in Figure 4–2, and then to examine it in terms of stereotyping, as in Figure 4–3. French culture and American culture, for example, have quite different norms and values. So the normal distribution curves for the two cultures have only limited overlap. However, when one looks at the tail-ends of the two curves, it is possible to identify stereotypical views held by members of one culture about the other. The stereotypes are often exaggerated and used by members of one culture in describing the other, thus helping reinforce the differences between the two while reducing the likelihood of achieving cooperation and communication. This is one reason why an understanding of national culture is so important in the study of international management.

Figure 4–3

Stereotyping from the Cultural Extremes



Source: Adapted from Fons Trompenaars and Charles Hampden-Turner, *Riding the Waves of Culture: Understanding Diversity in Global Business,* 2nd ed. (New York: McGraw-Hill, 1998), p. 23.

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 direct the person's behavior. Differences in cultural values often result in varying management practices. Table 4–2 provides an example. Note that U.S. values can result in one set of business responses and that alternative values can bring about different responses.

values
Basic convictions that people have regarding what is right and wrong, good and bad, important and unimportant.

Value Differences and Similarities across Cultures

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.[8] 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.

Differences in work values also have been found to reflect culture and industrialization. Researchers gave a personal-values questionnaire (PVQ) to over 2,000 managers in five countries: Australia ($n = 281$), India ($n = 485$), Japan ($n = 301$), South Korea ($n = 161$), and the United States ($n = 833$).[9] The PVQ consisted of 66 concepts related to business goals, personal goals, ideas associated with people and groups of people, and ideas about general topics. Ideologic and philosophic concepts were included to represent major value systems of all groups. The results showed some significant differences between the managers in each group. U.S. managers placed high value on the tactful acquisition of influence and on regard for others. Japanese managers placed high value on deference to superiors, company commitment, and the cautious use of aggressiveness

Table 4–2
U.S. Values and Possible Alternatives

U.S. Cultural Values	Alternative Values	Examples of Management Function Affected
Individuals can influence the future (where there is a will there is a way).	Life follows a preordained course, and human action is determined by the will of God.	Planning and scheduling.
Individuals should be realistic in their aspirations.	Ideals are to be pursued regardless of what is "reasonable."	Goal setting and career development.
We must work hard to accomplish our objectives (Puritan ethic).	Hard work is not the only prerequisite for success. Wisdom, luck, and time are also required.	Motivation and reward system.
A primary obligation of an employee is to the organization.	Individual employees have a primary obligation to their family and friends.	Loyalty, commitment, and motivation.
Employees can be removed if they do not perform well.	The removal of an employee from a position involves a great loss of prestige and will rarely be done.	Promotion.
Company information should be available to anyone who needs it within the organization.	Withholding information to gain or maintain power is acceptable.	Organization, communication, and managerial style.
Competition stimulates high performance.	Competition leads to imbalances and disharmony.	Career development and marketing.
What works is important.	Symbols and the process are more important than the end point.	Communication, planning, and quality control.

Source: Adapted from information found in Philip R. Harris and Robert T. Moran, *Managing Cultural Differences* (Houston: Gulf Publishing, 1991), pp. 79–80.

and control. Korean managers placed high value on personal forcefulness and aggressiveness and low value on recognition of others. Indian managers put high value on the nonaggressive pursuit of objectives. Australian managers placed major importance on values reflecting a low-key approach to management and a high concern for others.[10] In short, value systems across national boundaries often are different.

At the same time, value similarities exist between cultures. In fact, research shows that managers from different countries often have similar personal values that relate to success. England and Lee examined the managerial values of a diverse sample of U.S. (n = 878), Japanese (n = 312), Australian (n = 301), and Indian (n = 500) managers. They found that:

1. There is a reasonably strong relationship between the level of success achieved by managers and their personal values.
2. It is evident that value patterns predict managerial success and could be used in selection and placement decisions.
3. Although there are country differences in the relationships between values and success, findings across the four countries are quite similar.
4. The general pattern indicates that more successful managers appear to favor pragmatic, dynamic, achievement-oriented values, while less successful managers prefer more static and passive values. More successful managers favor an achievement orientation and prefer an active role in interaction with other individuals who are instrumental to achieving the managers' organizational goals. Less successful managers have values associated with a static and protected environment in which they take relatively passive roles.[11]

The nearby International Management in Action box, "Common Personal Values," discusses these findings in more depth.

Values in Transition

Do values change over time? George England found that personal value systems are relatively stable and do not change rapidly.[12] However, changes are taking place in managerial values as a result of both culture and technology. A good example is the Japanese. Reichel and Flynn examined the effects of the U.S. environment on the cultural values of Japanese managers working for Japanese firms in the United States. In particular, they focused attention on such key organizational values as lifetime employment, formal authority, group orientation, seniority, and paternalism. Here is what they found:

1. Lifetime employment is widely accepted in Japanese culture, but the stateside Japanese managers did not believe that unconditional tenure in one organization was of major importance. They did believe, however, that job security was important.
2. Formal authority, obedience, and conformance to hierarchic position are very important in Japan, but the stateside managers did not perceive obedience and conformity to be very important and rejected the idea that one should not question a superior. However, they did support the concept of formal authority.
3. Group orientation, cooperation, conformity, and compromise are important organizational values in Japan. The stateside managers supported these values but also believed it was important to be an individual, thus maintaining a balance between a group and a personal orientation.
4. In Japan, organizational personnel often are rewarded based on seniority, not merit. Support for this value was directly influenced by the length of time the Japanese managers had been in the United States. The longer they had been there, the lower their support for this value.
5. Paternalism, often measured by a manager's involvement in both personal and off-the-job problems of subordinates, is very important in Japan. Stateside Japanese managers disagreed, and this resistance was positively associated with the number of years they had been in the United States.[13]

International Management in Action

Common Personal Values

One of the most interesting findings about successful managers around the world is that while they come from different cultures, many have similar personal values. Of course, there are large differences in values within each national group. For example, some managers are very pragmatic and judge ideas in terms of whether they will work; others are highly ethical and moral and view ideas in terms of right or wrong; still others have a "feeling" orientation and judge ideas in terms of whether they are pleasant. Some managers have a very small set of values; others have a large set. Some have values that are related heavily to organization life; others include a wide range of personal values; others have highly group-oriented values. There are many different value patterns; however, overall value profiles have been found within successful managers in each group. Here are some of the most significant:

U.S. managers

- Highly pragmatic
- High achievement and competence orientation
- Emphasis on profit maximization, organizational efficiency, and high productivity

Japanese managers

- Highly pragmatic
- Strong emphasis on size and growth
- High value on competence and achievement

Korean managers

- Highly pragmatic
- Highly individualistic
- Strong achievement and competence orientation

Australian managers

- High moral orientation
- High humanistic orientation
- Low value on achievement, success, competition, and risk

Indian managers

- High moral orientation
- Highly individualistic
- Strong focus on organization compliance and competence

The findings listed here show important similarities and differences. Most of the profiles are similar in nature; however, note that successful Indian and Australian managers have values that are distinctly different. In short, although values of successful managers within countries often are similar, there are intercountry differences. This is why the successful managerial value systems of one country often are not ideal in another country.

There is increasing evidence that individualism in Japan is on the rise, indicating that Japanese values are changing—and not just among managers outside the country. 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 personal responsibility, we must return dynamism to the economy and revitalize society."[14] This thinking is supported by Lee and Peterson's research which reveals that a culture with a 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.[15]

The focus here has been on Japan due to the concrete experiential and experimental evidence. While Japanese cultures and values continue to evolve, other countries such as China are just beginning to undergo a new era. We discussed in Chapter 2 how China is moving away from a collectivist culture, and it appears as though even China is not sure what cultural values it will adhere to. Confucianism was worshipped for over 2,000 years, but the powerful messages through Confucius's teachings were overshadowed in a world where profit became a priority. Now, Confucianism is slowly gaining popularity

once again, emphasizing respect for authority, concern for others, balance, harmony, and overall order. While this may provide sanctuary for some, it poses problems within the government, since it will have to prove its worthiness to remain in power. As long as China continues to prosper, hope for a unified culture may be on the horizon. Many are still concerned with the lack of an alternative if China's growth is stunted, creating even more confusion in the journey to maintain cultural values.[16]

Hofstede's Cultural Dimensions

Some researchers have attempted to provide a composite picture of culture by examining its subparts, or dimensions. In particular, Dutch researcher Geert Hofstede identified four dimensions, and later a fifth dimension, of culture that help explain how and why people from various cultures behave as they do.[17] His initial data were gathered from two questionnaire surveys with over 116,000 respondents from over 70 different countries around the world—making it the largest organizationally based study ever conducted. The individuals in these studies all worked in the local subsidiaries of IBM. As a result, Hofstede's research has been criticized because of its focus on just one company; however, he has countered this criticism. Hofstede is well aware of the amazement of some people about how employees of a very specific corporation like IBM can serve as a sample for discovering something about the culture of their countries at large. "We know IBMers," they say. "They are very special people, always in a white shirt and tie, and not at all representative of our country." The people who say this are quite right. IBMers do not form representative samples from national populations. However, samples for cross-national comparison need not be representative, as long as they are functionally equivalent. IBM employees are a narrow sample, but very well matched. Employees of multinational companies in general and of IBM in particular form attractive sources of information for comparing national traits, because they are so similar in respects other than nationality: their employers, their kind of work, and—for matched occupations—their level of education. The only thing that can account for systematic and consistent differences between national groups *within* such a homogenous multinational population is nationality itself; the national environment in which people were brought up *before* they joined this employer. Comparing IBM subsidiaries therefore shows national culture differences with unusual clarity.[18]

Hofstede's massive study continues to be a focal point for additional research. The four now-well-known dimensions that Hofstede examined were (1) power distance, (2) uncertainty avoidance, (3) individualism, and (4) masculinity. The more recent fifth dimension of time orientation is not as well known, but it was added to help describe the long- versus short-term orientations of cultures.[19] The East Asian countries were found to have longer-term orientations while the U.S. and U.K. were found to have relatively short-term orientations. While such time orientations are important to our understanding of cultures, the original four dimensions have received the most attention and are therefore the primary focus here.

power distance
The extent to which less powerful members of institutions and organizations accept that power is distributed unequally.

Power Distance

Power distance is "the extent to which less powerful members of institutions and organizations accept that power is distributed unequally."[20] 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. For example, a senior Indian executive with a PhD from a prestigious U.S. university related the following story:

> What is most important for me and my department is not what I do or achieve for the company, but whether the [owner's] favor is bestowed on me. . . . This I have achieved by saying "yes" to everything [the owner] says or does. . . . To contradict him is to look for another job. . . . I left my freedom of thought in Boston.[21]

The effect of this dimension can be measured in a number of ways. For example, organizations in low-power-distance countries generally will be decentralized and have flatter organization structures. These organizations also will have a smaller proportion of supervisory personnel, and the lower strata of the workforce often will consist of highly qualified people. By contrast, organizations in high-power-distance countries will tend to be centralized and have tall organization structures. Organizations in high-power-distance countries will have a large proportion of supervisory personnel, and the people at the lower levels of the structure often will have low job qualifications. This latter structure encourages and promotes inequality between people at different levels.[22]

Uncertainty Avoidance

Uncertainty avoidance is "the extent to which people feel threatened by ambiguous situations and have created beliefs and institutions that try to avoid these.[23] 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; examples 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 include Denmark and Great Britain.

uncertainty avoidance
The extent to which people feel threatened by ambiguous situations and have created beliefs and institutions that try to avoid these.

The effect of this dimension can be measured in a number of ways. Countries with high-uncertainty-avoidance cultures have a great deal of structuring of organizational activities, more written rules, less risk taking by managers, lower labor turnover, and less ambitious employees.

Low-uncertainty-avoidance societies have organization settings with less structuring of activities, fewer written rules, more risk taking by managers, higher labor turnover, and more ambitious employees. The organization encourages personnel to use their own initiative and assume responsibility for their actions.

Individualism

We discussed individualism and collectivism in Chapter 2 in reference to political systems. **Individualism** is the tendency of people to look after themselves and their immediate family only.[24] Hofstede measured this 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.[25]

individualism
The tendency of people to look after themselves and their immediate family only.

collectivism
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.[26] Hofstede found that wealthy countries have higher individualism scores and poorer countries higher collectivism scores (see Table 4–3 for the 74 countries used in Figure 4–4 and subsequent figures). Note that in Figure 4–4, the United States, Canada, Australia, Denmark, and Sweden, among others, have high individualism and high GNP. Conversely, Indonesia, Pakistan, and a number of South American countries have low individualism (high collectivism) and low GNP. 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.

Masculinity

Masculinity is defined by Hofstede as "a situation in which the dominant values in society are success, money, and things."[27] Hofstede measured this dimension on a continuum ranging from masculinity to femininity. Contrary to some stereotypes and connotations, **femininity** is the term used by Hofstede to describe "a situation in which the dominant values in society are caring for others and the quality of life."[28]

masculinity
A cultural characteristic in which the dominant values in society are success, money, and things.

femininity
A cultural characteristic in which the dominant values in society are caring for others and the quality of life.

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 decision 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. The school system is geared toward encouraging high performance.

Table 4–3
Countries and Regions Used in Hofstede's Research

Arabic-speaking countries (Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, United Arab Emirates)	Ecuador	Panama
	Estonia	Peru
	Finland	Philippines
	France	Poland
	Germany	Portugal
	Great Britain	Romania
	Greece	Russia
Argentina	Guatemala	Salvador
Australia	Hong Kong (China)	Serbia
Austria		Singapore
Bangladesh	Hungary	Slovakia
Belgium Flemish (Dutch speaking)	India	Slovenia
	Indonesia	South Africa
Belgium Walloon (French speaking)	Iran	Spain
	Ireland	Suriname
Brazil	Israel	Sweden
Bulgaria	Italy	Switzerland French
Canada Quebec	Jamaica	Switzerland German
Canada total	Japan	Taiwan
Chile	Korea (South)	Thailand
China	Luxembourg	Trinidad
Colombia	Malaysia	Turkey
Costa Rica	Malta	United States
Croatia	Mexico	Uruguay
Czech Republic	Morocco	Venezuela
Denmark	Netherlands	Vietnam
East Africa (Ethiopia, Kenya, Tanzania, Zambia)	New Zealand	West Africa (Ghana, Nigeria, Sierra Leone)
	Norway	
	Pakistan	

Source: From Hofstede and Hofstede, *Cultures and Organizations: Software of the Mind.* Copyright © 2005 The McGraw-Hill Companies, Inc. Reprinted with permission.

Young men expect to have careers, and those who do not often view themselves as failures. Historically, fewer women hold higher-level jobs, although this is changing. The school system is geared toward encouraging high performance.

Countries with a low masculinity index (Hofstede's femininity dimension), such as Norway, tend to place great importance on cooperation, a friendly atmosphere, and employment security. Individuals are encouraged to be group decision makers, and achievement is defined in terms of layman contacts and the living environment. The workplace tends to be characterized by low stress, and managers give their employees more credit for being responsible and allow them more freedom. Culturally, this group prefers small-scale enterprises, and they place greater importance on conservation of the environment. The school system is designed to teach social adaptation. Some young men and women want careers; others do not. Many women hold higher-level jobs, and they do not find it necessary to be assertive.

Integrating the Dimensions A description of the four dimensions of culture is useful in helping to explain the differences between various countries, and Hofstede's research has extended beyond this focus and shown how countries can be described in terms of pairs of dimensions. In Hofstede's and later research, pairings and clusters can provide useful summaries for international managers. It is always best to have an in-depth understanding

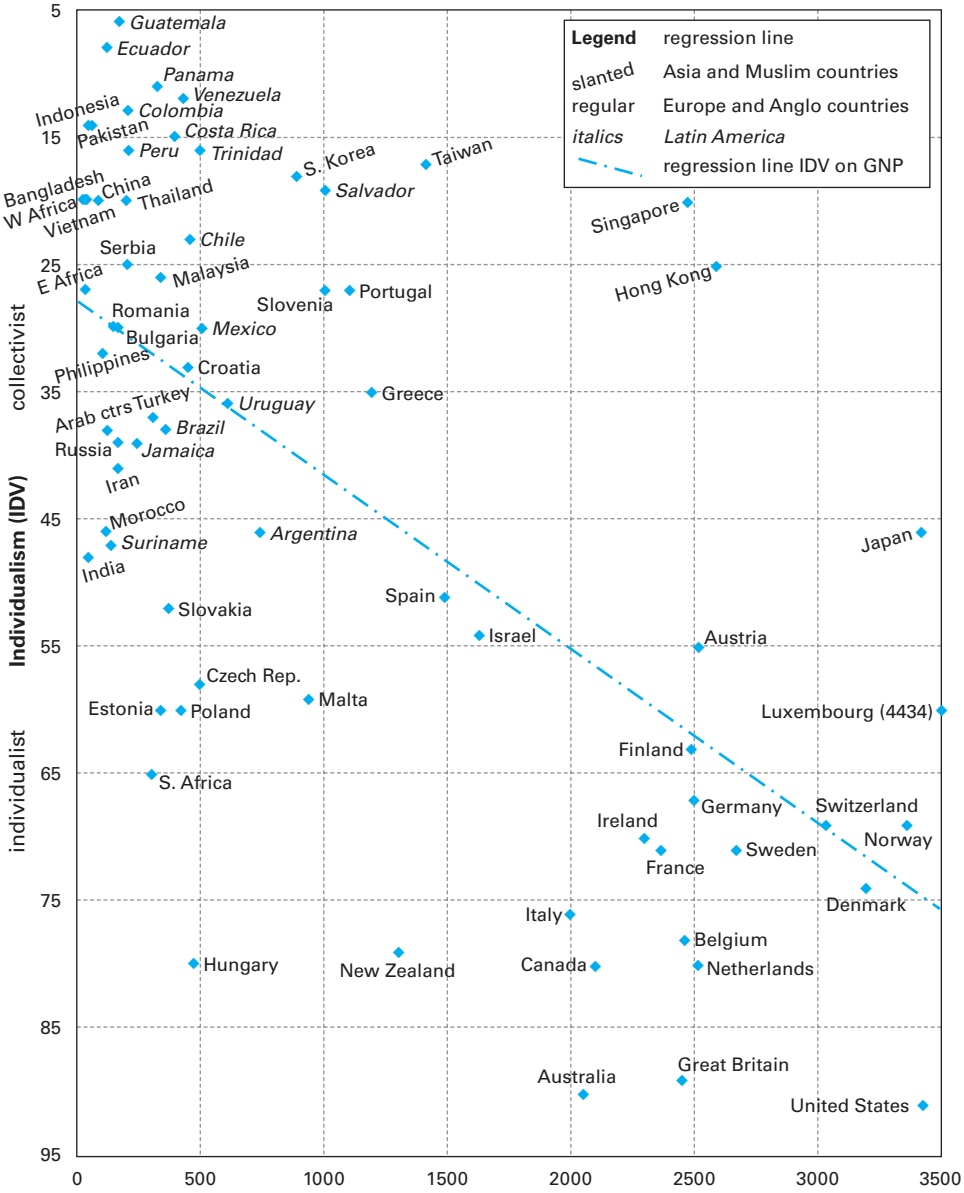


Figure 4–4
GNP per Capita in 2000 versus Individualism

Source: From Hofstede and Hofstede, *Cultures and Organizations: Software of the Mind.* Copyright © 2005 The McGraw-Hill Companies, Inc. Reprinted with permission.

of the multicultural environment, but the general groupings outline common ground that one can use as a starting point. Figure 4–5, which incorporates power distance and individualism, provides an example.

Upon first examination of the cluster distribution, the data may appear confusing. However, they are very useful in depicting what countries appear similar in values, and to what extent they differ with other country clusters. The same countries are not always clustered together in subsequent dimension comparisons. This indicates that while some beliefs overlap between cultures, it is where they diverge that makes groups unique to manage.

In Figure 4–5, the United States, Australia, Canada, Britain, Denmark, and New Zealand are located in the lower-left-hand quadrant. Americans, for example, have very high individualism and relatively low power distance. They prefer to do things for themselves and are not upset when others have more power than they do. The other countries, while they may not be a part of the same cluster, share similar values. Conversely, many of the underdeveloped or newly industrialized countries, such as Colombia, Hong Kong, Portugal, and Singapore, are characterized by large power distance and low individualism. These nations tend to be collectivist in their approach.

Figure 4–5

Power Distance versus Individualism

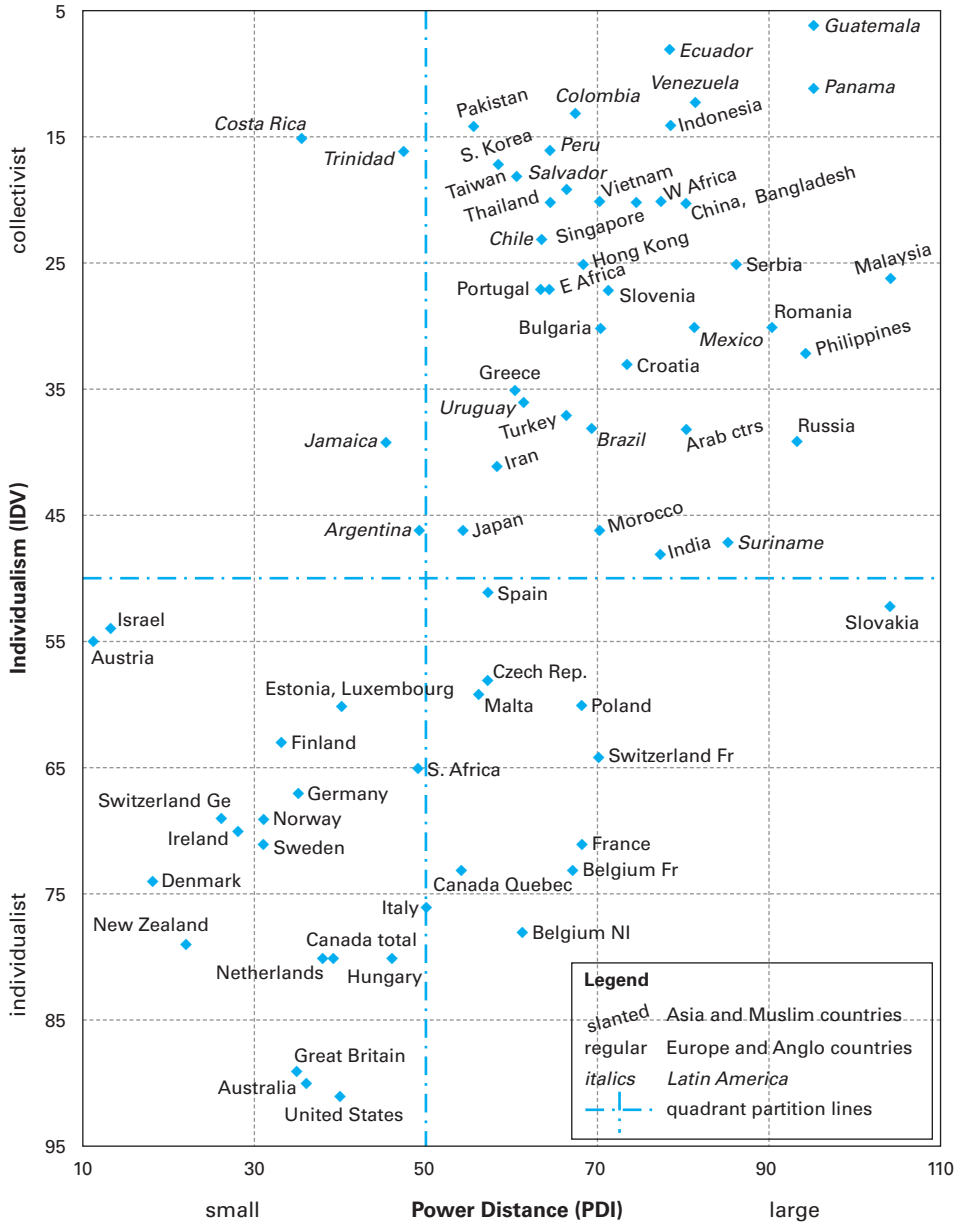


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Figure 4–6 plots the uncertainty-avoidance index for the 74 countries against the power-distance index. Once again, there are clusters of countries. Many of the Anglo nations tend to be in the upper-left-hand quadrant, which is characterized by small power distance and weak uncertainty avoidance (they do not try to avoid uncertainty). In contrast, many Latin countries (in both Europe and the Western Hemisphere), Mediterranean countries, and Asian nations (e.g., Japan and Korea) are characterized by high power distance and strong uncertainty avoidance. Most other Asian countries are characterized by large power distance and weak uncertainty avoidance.

Figure 4–7 plots the position of 74 countries in terms of uncertainty avoidance and masculinity/femininity. The most masculine country is Japan, followed by the Germanic countries (Austria, Switzerland, Germany) and Latin countries (Venezuela, Mexico, Italy). Many countries in the Anglo cluster, including Ireland, Australia, Great Britain, and the United States, have moderate degrees of masculinity. So do some of the former colonies of Anglo nations, including India, South Africa, and the Philippines. The North-

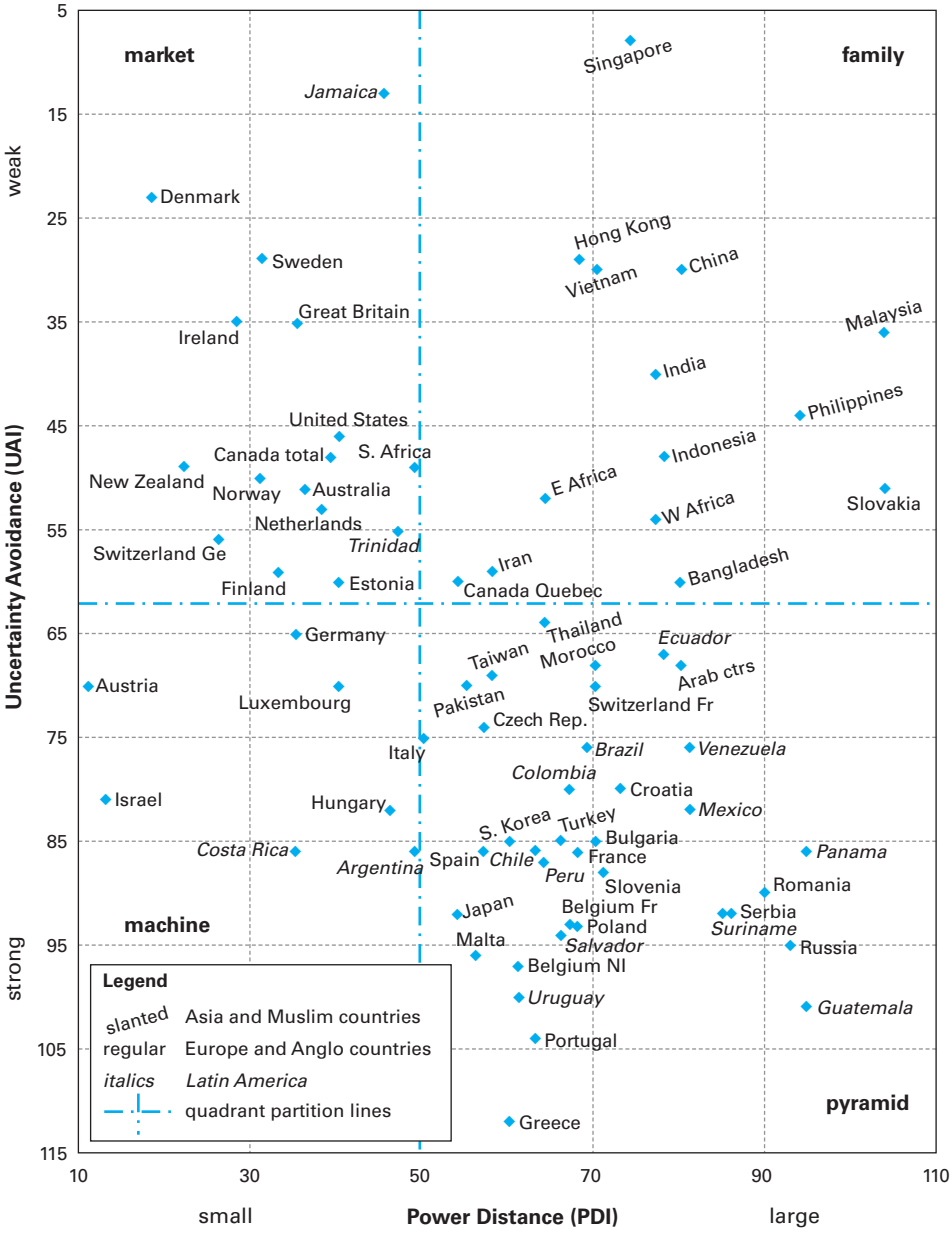

Figure 4–6
Power Distance versus Uncertainty Avoidance

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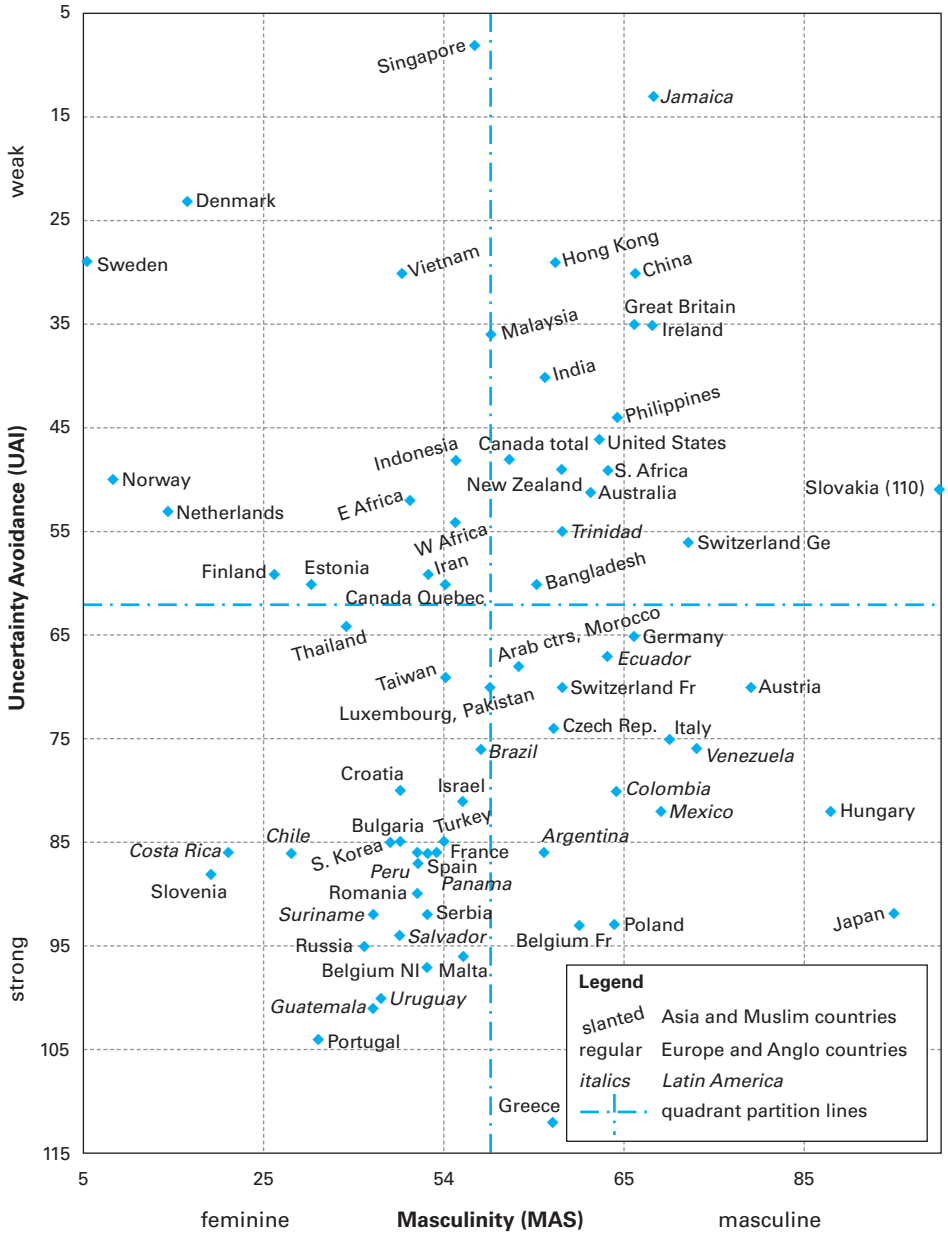
ern European cluster (Denmark, Sweden, Norway, the Netherlands) has low masculinity, indicating that these countries place high value on factors such as quality of life, preservation of the environment, and the importance of relationships with people over money.

The integration of these cultural factors into two-dimensional plots helps illustrate the complexity of understanding culture's effect on behavior. A number of dimensions are at work, and sometimes they do not all move in the anticipated direction. For example, at first glance, a nation with high power distance would appear to be low in individualism, and vice versa, and Hofstede found exactly that (see Figure 4–5). However, low uncertainty avoidance does not always go hand in hand with high masculinity, even though those who are willing to live with uncertainty will want rewards such as money and power and accord low value to the quality of work life and caring for others (see Figure 4–7). Simply put, empirical evidence on the impact of cultural dimensions may differ from commonly held beliefs or stereotypes. Research-based data are needed to determine the full impact of differing cultures.

Figure 4–7
Masculinity versus Uncertainty Avoidance



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Trompenaars's Cultural Dimensions

The Hofstede cultural dimensions and country clusters are widely recognized and accepted in the study of international management. A more recent description of how cultures differ, by another Dutch researcher, Fons Trompenaars, is receiving increasing attention as well. Trompenaars's research was conducted over a 10-year period and published in 1994.[29] He administered research questionnaires to over 15,000 managers from 28 countries and received usable responses from at least 500 in each nation; the 23 countries in his research are presented in Table 4–4. Building heavily on value orientations and the relational orientations of well-known sociologist Talcott Parsons,[30] Trompenaars derived five relationship orientations that address the ways in which people deal with each other; these can be considered to be cultural dimensions that are analogous to Hofstede's dimensions. Trompenaars also looked at attitudes toward both time and the environment, and the result of his research is a wealth of information helping explain how cultures differ and offering practical ways in which MNCs can do business in

Table 4–4
Trompenaars's Country Abbreviations

Abbreviation	Country
ARG	Argentina
AUS	Austria
BEL	Belgium
BRZ	Brazil
CHI	China
CIS	Former Soviet Union
CZH	Former Czechoslovakia
FRA	France
GER	Germany (excluding former East Germany)
HK	Hong Kong
IDO	Indonesia
ITA	Italy
JPN	Japan
MEX	Mexico
NL	Netherlands
SIN	Singapore
SPA	Spain
SWE	Sweden
SWI	Switzerland
THA	Thailand
UK	United Kingdom
USA	United States
VEN	Venezuela

various countries. The following discussion examines each of the five relationship orientations as well as attitudes toward time and the environment.[31]

Universalism vs. Particularism **Universalism** is the belief that ideas and practices can be applied everywhere without modification. **Particularism** is the belief that circumstances dictate how ideas and practices should be applied. In cultures with high universalism, the focus is more on formal rules than on relationships, business contracts are adhered to very closely, and people believe that "a deal is a deal." In cultures with high particularism, the focus is more on relationships and trust than on formal rules. In a particularist culture, legal contracts often are modified, and as people get to know each other better, they often change the way in which deals are executed. In his early research, Trompenaars found that in countries such as the United States, Australia, Germany, Sweden, and the United Kingdom, there was high universalism, while countries such as Venezuela, the former Soviet Union, Indonesia, and China were high on particularism. Figure 4–8 shows the continuum.

universalism
The belief that ideas and practices can be applied everywhere in the world without modification.

particularism
The belief that circumstances dictate how ideas and practices should be applied and that something cannot be done the same everywhere.

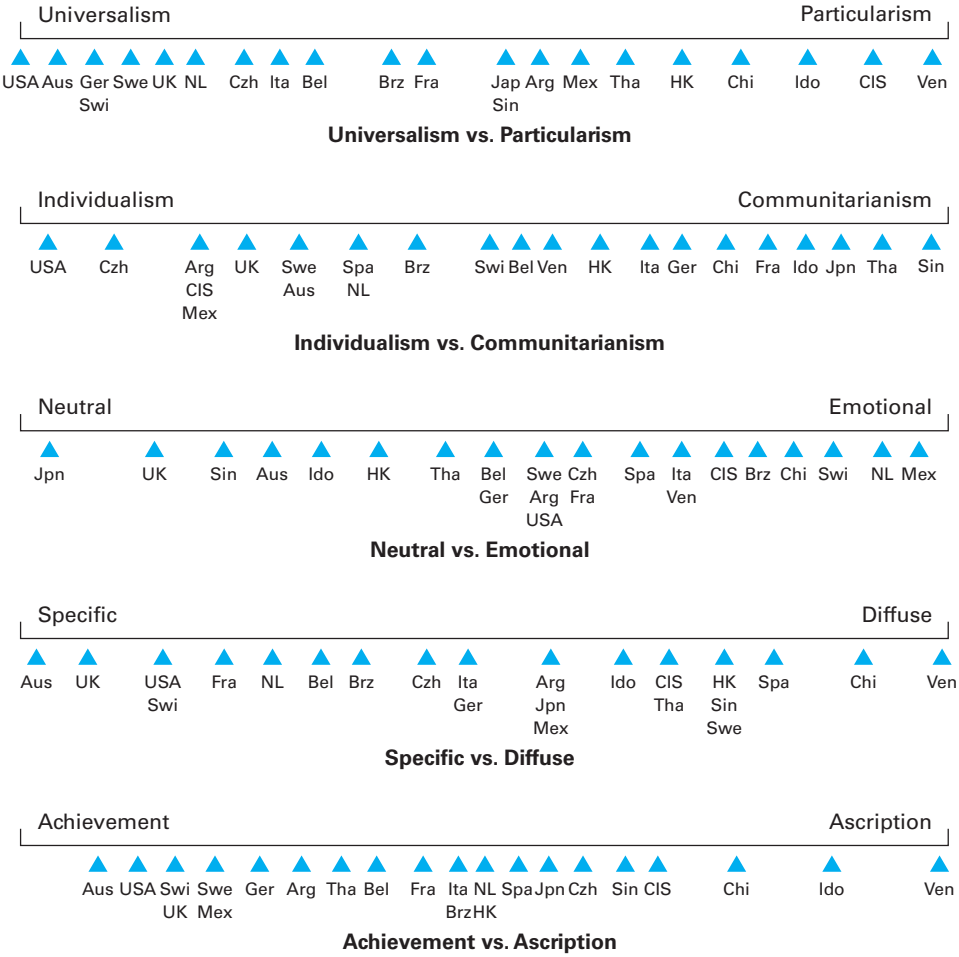
In follow-up research, Trompenaars and Hampden-Turner uncovered additional insights regarding national orientations on this universalism-particularism continuum. They did this by presenting the respondents with a dilemma and asking them to make a decision. Here is one of these dilemmas along with the national scores of the respondents:[32]

You are riding in a car driven by a close friend. He hits a pedestrian. You know he was going at least 35 miles per hour in an area of the city where the maximum allowed speed is 20 miles per hour. There are no witnesses. His lawyer says that if you testify under oath that he was driving 20 miles per hour it may save him from serious consequences. What right has your friend to expect you to protect him?

(*a*) My friend has a definite right as a friend to expect me to testify to the lower figure.
(*b*) He has some right as a friend to expect me to testify to the lower figure.
(*c*) He has no right as a friend to expect me to testify to the lower figure.

Figure 4–8

Trompenaars's Relationship Orientations on Cultural Dimensions



Source: Adapted from information found in Fons Trompenaars, *Riding the Waves of Culture* (New York: Irwin, 1994); Charles M. Hampden-Turner and Fons Trompenaars, "A World Turned Upside Down: Doing Business in Asia," in *Managing Across Cultures: Issues and Perspectives,* ed. Pat Joynt and Malcolm Warner (London: International Thomson Business Press, 1996), pp. 275–305.

With a high score indicating strong universalism (choice *c*) and a low score indicating strong particularism (choice *a*), here is how the different nations scored:

Universalism (no right)	
Canada	96
United States	95
Germany	90
United Kingdom	90
Netherlands	88
France	68
Japan	67
Singapore	67
Thailand	63
Hong Kong	56
Particularism (some or definite right)	
China	48
South Korea	26

As noted earlier, respondents from universalist cultures (e.g., North America and Western Europe) felt that the rules applied regardless of the situation, while respondents from particularist cultures were much more willing to bend the rules and help their friend.

Based on these types of findings, Trompenaars recommends that when individuals from particularist cultures do business in a universalistic culture, they should be prepared for rational, professional arguments and a "let's get down to business" attitude. Conversely, when individuals from universalist cultures do business in a particularist environment, they should be prepared for personal meandering or irrelevancies that seem to go nowhere and should not regard personal, get-to-know-you attitudes as mere small talk.

Individualism vs. Communitarianism Individualism and communitarianism are key dimensions in Hofstede's earlier research. Although Trompenaars derived these two relationships differently than Hofstede does, they still have the same basic meaning, although in his more recent work Trompenaars has used the word *communitarianism* rather than *collectivism.* For him, individualism refers to people regarding themselves as individuals, while **communitarianism** refers to people regarding themselves as part of a group, similar to the political groupings discussed in Chapter 2. As shown in Figure 4–8, the United States, former Czechoslovakia, Argentina, the former Soviet Union (CIS), and Mexico have high individualism. These findings of Trompenaars are particularly interesting, because they differ somewhat from those of Hofstede, as reported in Figure 4–5. Although the definitions are not exactly the same, the fact that there are differences (e.g., Mexico and Argentina are moderately collectivistic in Hofstede's findings but individualistic in Trompenaars's research) points out that cultural values may be changing (i.e., even though Hofstede has added some countries and updated his findings, they still may be dated). For example, with Mexico now part of NAFTA and the global economy, this country may have moved from dominant collectivistic or communitarianistic cultural values to more individualist values. Trompenaars also found that the former communist countries of Czechoslovakia and the Soviet Union now appear to be quite individualistic, which of course is contrary to assumptions and conventional wisdom about the former communist bloc. In other words, Trompenaars points out the complex, dynamic nature of culture and the danger of overgeneralization.

communitarianism
Refers to people regarding themselves as part of a group.

In his most recent research, and again using the technique of presenting respondents with a dilemma and asking them to make a decision, Trompenaars posed the following situation. If you were to be promoted, which of the two following issues would you emphasize most: (a) the new group of people with whom you will be working or (b) the greater responsibility of the work you are undertaking and the higher income you will be earning? The following reports the latest scores associated with the individualism of option *b*—greater responsibility and more money.[33]

Individualism (emphasis on larger responsibilities and more income)	
Canada	77
Thailand	71
United Kingdom	69
United States	67
Netherlands	64
France	61
Japan	61
China	54
Singapore	50
Hong Kong	47
Communitarianism (emphasis on the new group of people)	
Malaysia	38
Korea	32

These findings are somewhat different from those presented in Figure 4–8 and show that cultural changes may be occurring more rapidly than many people realize. For example, the latest findings show Thailand very high on individualism (possibly indicating an increasing entrepreneurial spirit/cultural value), whereas the Thais were found to be low

on individualism a few years before, as shown in Figure 4–8. At the same time, it is important to remember that there are major differences between people in high-individualism societies and those in high-communitarianism societies. The former stress personal and individual matters; the latter value group-related issues. Negotiations in cultures with high individualism typically are made on the spot by a representative, people ideally achieve things alone, and they assume a great deal of personal responsibility. In cultures with high communitarianism, decisions typically are referred to committees, people ideally achieve things in groups, and they jointly assume responsibility.

Trompenaars recommends that when people from cultures with high individualism deal with those from communitarianistic cultures, they should have patience for the time taken to consent and to consult, and they should aim to build lasting relationships. When people from cultures with high communitarianism deal with those from individualistic cultures, they should be prepared to make quick decisions and commit their organization to these decisions. Also, communitarianists dealing with individualists should realize that the reason they are dealing with only one negotiator (as opposed to a group) is that this person is respected by his or her organization and has its authority and esteem.

neutral culture
A culture in which emotions are held in check.

emotional culture
A culture in which emotions are expressed openly and naturally.

Neutral vs. Emotional

A **neutral culture** is one in which emotions are held in check. As seen in Figure 4–8, 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. Mexico, the Netherlands, and Switzerland are examples of high emotional cultures.

Trompenaars recommends that when individuals from emotional cultures do business in neutral cultures, they should put as much as they can on paper and submit it to the other side. They should realize that lack of emotion does not mean a lack of interest or boredom, but rather that people from neutral cultures do not like to show their hand. Conversely, when those from neutral cultures do business in emotional cultures, they should not be put off stride when the other side creates scenes or grows animated and boisterous, and they should try to respond warmly to the emotional affections of the other group.

specific culture
A culture in which individuals have a large public space they readily share with others and a small private space they guard closely and share with only close friends and associates.

diffuse culture
A culture 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.

Specific vs. Diffuse

A **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. As shown in Figure 4–8, 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 example of these specific and diffuse cultural dimensions is provided by the United States and Germany. A U.S. professor, such as Robert Smith, PhD, generally would be called "Doctor Smith" by students when at his U.S. university. When shopping, however, he might be referred to by the store clerk as "Bob," and he might even ask the clerk's advice regarding some of his intended purchases. When golfing, Bob might just be one of the guys, even to a golf partner who happens to be a graduate student in his department. The reason for these changes in status is that, with the specific U.S. cultural values, people have large public spaces and often conduct themselves differently depending on their public role. At the same time, however, Bob has private space that is off-limits to the students who must call him "Doctor Smith" in class. In high-diffuse cultures, on the other hand, a person's public life and private life often are similar. Therefore, in Germany, Herr Professor Doktor

Schmidt would be referred to that way at the university, local market, and bowling alley—and even his wife might address him formally in public. A great deal of formality is maintained, often giving the impression that Germans are stuffy or aloof.

Trompenaars recommends that when those from specific cultures do business in diffuse cultures, they should respect a person's title, age, and background connections, and they should not get impatient when people are being indirect or circuitous. Conversely, when individuals from diffuse cultures do business in specific cultures, they should try to get to the point and be efficient, learn to structure meetings with the judicious use of agendas, and not use their titles or acknowledge achievements or skills that are irrelevant to the issues being discussed.

Achievement vs. Ascription 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. As shown in Figure 4–8, Austria, the United States, Switzerland, and the United Kingdom are achievement cultures, while Venezuela, Indonesia, and China are ascription cultures.

achievement culture
A culture in which people are accorded status based on how well they perform their functions.

ascription culture
A culture in which status is attributed based on who or what a person is.

Trompenaars recommends that when individuals from achievement cultures do business in ascription cultures, they should make sure that their group has older, senior, and formal position holders who can impress the other side, and they should respect the status and influence of their counterparts in the other group. Conversely, he recommends that when individuals from ascription cultures do business in achievement cultures, they should make sure that their group has sufficient data, technical advisers, and knowledgeable people to convince the other group that they are proficient, and they should respect the knowledge and information of their counterparts on the other team.

Time Aside from the five relationship orientations, another major cultural difference is the way in which people deal with the concept of time. Trompenaars 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. As Trompenaars noted, "For the French and Mexicans, what was important was that they get to the end, not the particular path or sequence by which that end was reached."[34]

Another interesting time-related contrast is the degree to which cultures are past- or present-oriented as opposed to future-oriented. In countries such as the United States, Italy, and Germany, the future is more important than the past or the present. In countries such as Venezuela, Indonesia, and Spain, the present is most important. In France and Belgium, all three time periods are of approximately equal importance. Because different emphases are given to different time periods, adjusting to these cultural differences can create challenges.

Trompenaars recommends that when doing business with future-oriented cultures, effective international managers should emphasize the opportunities and limitless scope that any agreement can have, agree to specific deadlines for getting things done, and be aware of the core competence or continuity that the other party intends to carry with it into the future. When doing business with past- or present-oriented cultures, he recommends that managers emphasize the history and tradition of the culture, find out whether internal relationships will sanction the types of changes that need to be made, and agree to future meetings in principle but fix no deadlines for completions.

The Environment Trompenaars also examined the ways in which people deal with their environment. Specific attention should be given to whether they believe in controlling outcomes (inner-directed) or letting things take their own course (outer-directed). One of the things he asked managers to do was choose between the following statements:

1. What happens to me is my own doing.
2. Sometimes I feel that I do not have enough control over the directions my life is taking.

Managers who believe in controlling their own environment would opt for the first choice; those who believe that they are controlled by their environment and cannot do much about it would opt for the second.

Here is an example by country of the sample respondents who believe that what happens to them is their own doing:[35]

United States	89%
Switzerland	84%
Australia	81%
Belgium	76%
Indonesia	73%
Hong Kong	69%
Greece	63%
Singapore	58%
Japan	56%
China	35%

In the United States, managers feel strongly that they are masters of their own fate. This helps account for their dominant attitude (sometimes bordering on aggressiveness) toward the environment and discomfort when things seem to get out of control. Many Asian cultures do not share these views. They believe that things move in waves or natural shifts and one must "go with the flow," so a flexible attitude, characterized by a willingness to compromise and maintain harmony with nature, is important.

Trompenaars recommends that when dealing with those from cultures that believe in dominating the environment, it is important to play hardball, test the resilience of the opponent, win some objectives, and always lose from time to time. For example, representatives of the U.S. government have repeatedly urged Japanese automobile companies to purchase more component parts from U.S. suppliers to partially offset the large volume of U.S. imports of finished autos from Japan. Instead of enacting trade barriers, the United States was asking for a quid pro quo. When dealing with those from cultures that believe in letting things take their natural course, it is important to be persistent and polite, maintain good relationships with the other party, and try to win together and lose apart.

Cultural Patterns or Clusters Like Hofstede's work, Trompenaars's research lends itself to cultural patterns or clusters. Table 4–5 relates his findings to the five relational orientations. It is useful to compare Hofstede and Trompenaars, because of the overlapping information. For example, Hofstede's country assessments included India but not China.

Table 4–5
Cultural Groups Based on Trompenaars's Research

	Anglo Cluster	
Relationship	**United States**	**United Kingdom**
Individualism (I)	I	I
Communitarianism (C)		
Specific relationship (S)	S	S
Diffuse relationship (D)		
Universalism (U)	U	U
Particularism (P)		
Neutral relationship (N)	E	N
Emotional relationship (E)		
Achievement (Ach)	Ach	Ach
Ascription (As)		

	Asian Cluster				
Relationship	**Japan**	**China**	**Indonesia**	**Hong Kong**	**Singapore**
Individualism (I)	C	C	C	C	C
Communitarianism (C)					
Specific relationship (S)	D	D	D	D	D
Diffuse relationship (D)					
Universalism (U)	P	P	P	P	P
Particularism (P)					
Neutral relationship (N)	N	E	N	N	N
Emotional relationship (E)					
Achievement (Ach)	As	As	As	As	As
Ascription (As)					

	Latin American Cluster			
Relationship	**Argentina**	**Mexico**	**Venezuela**	**Brazil**
Individualism (I)	I	I	C	I
Communitarianism (C)				
Specific relationship (S)	D	D	D	S
Diffuse relationship (D)				
Universalism (U)	P	P	P	U
Particularism (P)				
Neutral relationship (N)	N	N	N	E
Emotional relationship (E)				
Achievement (Ach)	Ach	Ach	As	As
Ascription (As)				

	Latin European Cluster			
Relationship	**France**	**Belgium**	**Spain**	**Italy**
Individualism (I)	C	C	I	C
Communitarianism (C)				
Specific relationship (S)	S	S	D	S
Diffuse relationship (D)				
Universalism (U)	U	U	P	U
Particularism (P)				
Neutral relationship (N)	E	E	N	E
Emotional relationship (E)				
Achievement (Ach)	As	As	Ach	As
Ascription (As)				

(continued)

Table 4–5 *(continued)*
Cultural Groups Based on Trompenaars's Research

	Germanic Cluster			
Relationship	**Austria**	**Germany**	**Switzerland**	**Czechoslovakia**
Individualism (I) Communitarianism (C)	I	C	C	C
Specific relationship (S) Diffuse relationship (D)	S	D	S	S
Universalism (U) Particularism (P)	U	U	U	U
Neutral relationship (N) Emotional relationship (E)	N	E	E	N
Achievement (Ach) Ascription (As)	Ach	Ach	As	Ach

Source: Adapted from information in Fons Trompenaars, *Riding the Waves of Culture* (New York: Irwin, 1994).

Trompenaars, conversely, shows results for China but not India. Today, international managers must become familiar with beliefs and traditions in both areas, since they play a significant role in the new world economy (see Chapter 1). Further examination of Table 4–5 shows that while general clusters can be formed, there still exist inherent, significant differences within. For example, Brazil is considered to be a part of the Latin American cluster, though some of the unique findings suggest that Brazil is more independent than strictly "Latin American." The Latin European grouping mirrors similar results, with Italy showing some preferences that are different from both France and Belgium, and with Spain displaying distinguishing characteristics as compared to the other three in the cluster.

The work of Hofstede and Trompenaars provides a springboard, not a definitive characterization, of how to view groups of countries, partially because some of their information intersects and partially because they seem to fill in the blanks left by the other research. Future investigations may be in order, since culture is extremely hard to effectively categorize with so few dimensions due to the complicated nature of the underlying motivations of societies. Furthermore, as the world becomes more integrated due to globalization, it can be postulated that cultures are beginning to change in order to effectively play the game. The results shown in this chapter are still very relevant to current beliefs, since it takes quite some time for an entire country's culture to be significantly altered. It is just as important to recognize that influences on countries that were not present during these studies could alter some perspectives, and to keep in mind that not all people within a country adhere to cultural beliefs. In other words, when seeking out business opportunities abroad, one should become familiar with the individuals involved and not simply use stereotypes or generalizations to communicate effectively.

Overall, Table 4–5 shows that a case can be made for cultural similarities between clusters of countries. With only small differences, Trompenaars's research helps support and, more importantly, extend the work of Hofstede. Such research provides a useful point of departure for recognizing cultural differences, and it provides guidelines for doing business effectively around the world.

GLOBE
A multicountry study and evaluation of cultural attributes and leadership behaviors among more than 17,000 managers from 951 organizations in 62 countries.

Integrating Culture and Management: 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 from 951 organizations in 62 countries.[36] A team of 170 scholars worked together to survey over 17,000 managers in three industries: financial services, food processing, and telecommunications. When developing the measures and conducting the analysis, 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 analysis.[37] This research has been considered among the most sophisticated in the field to date, and a collaboration of Hofstede and GLOBE researchers could provide an influential outlook on the major factors characterizing global cultures.[38]

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.

Culture and Management

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.[39]

The GLOBE project set out to answer many fundamental questions about cultural variables shaping leadership and organizational processes. The meta-goal of GLOBE was 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. Overall, GLOBE hopes to provide a global standard guideline that allows managers to focus on local specialization. Specific objectives include answering these fundamental questions:[40]

- Are there leader behaviors, attributes, and organizational practices that are universally accepted and effective across cultures?
- Are there leader behaviors, attributes, and organizational practices that are accepted and effective in only some cultures?
- How do attributes of societal and organizational cultures affect the kinds of leader behaviors and organizational practices that are accepted and effective?
- What is the effect of violating cultural norms that are relevant to leadership and organizational practices?
- What is the relative standing of each of the cultures studied on each of the nine core dimensions of culture?
- Can the universal and culture-specific aspects of leader behaviors, attributes, and organizational practices be explained in terms of an underlying theory that accounts for systematic differences across cultures?

GLOBE's Cultural Dimensions

The GLOBE project identified nine cultural dimensions:[41]

1. *Uncertainty avoidance* is defined as the extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events.
2. *Power distance* is defined as the degree to which members of an organization or society expect and agree that power should be unequally shared.
3. *Collectivism I: Societal collectivism* refers to the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

4. *Collectivism II: In-group collectivism* refers to the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.
5. *Gender egalitarianism* is defined as the extent to which an organization or a society minimizes gender role differences and gender discrimination.
6. *Assertiveness* is defined as the degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships.
7. *Future orientation* is defined as the degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification.
8. *Performance orientation* refers to the extent to which an organization or society encourages and rewards group members for performance improvement and excellence.
9. *Humane orientation* is defined as the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others.

The first six dimensions have their origins in Hofstede's cultural dimensions. The collectivism I 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 II scale measures in-group (family or organization) collectivism such as pride in and loyalty to family or organization and family or organizational cohesiveness. In lieu of Hofstede's masculinity dimension, the GLOBE researchers developed the two dimensions they labeled *gender egalitarianism* and *assertiveness.* Likewise, the future orientation, performance orientation, and humane orientation measures have their origin in past research.[42] These measures are therefore integrative and combine a number of insights from previous studies. Recently, further analysis has been conducted with regard to corporate social responsibility (CSR), a topic discussed in detail in Chapter 3.[43]

GLOBE Country Analysis

The initial results of the GLOBE analysis are presented in Table 4–6. The GLOBE analysis corresponds generally with those of Hofstede and Trompenaars, although with some variations resulting from the variable definitions and methodology. Hofstede critiqued the GLOBE analysis, pointing out key differences between the research methods; Hofstede was the sole researcher and writer of his findings, while GLOBE consisted of a team of perspectives; Hofstede focused on one institution and surveyed employees, while GLOBE interviewed managers across many corporations, and so on. The disparity of the terminology between these two, coupled with the complex research, makes it challenging to compare and fully

Table 4–6
GLOBE Cultural Variable Results

Variable	Highest Ranking	Medium Ranking	Lowest Ranking
Assertiveness	Spain, U.S.	Egypt, Ireland	Sweden, New Zealand
Future orientation	Denmark, Canada	Slovenia, Egypt	Russia, Argentina
Gender differentiation	South Korea, Egypt	Italy, Brazil	Sweden, Denmark
Uncertainty avoidance	Austria, Denmark	Israel, U.S.	Russia, Hungary
Power distance	Russia, Spain	England, France	Denmark, Netherlands
Collectivism/societal	Denmark, Singapore	Hong Kong, U.S.	Greece, Hungary
In-group collectivism	Egypt, China	England, France	Denmark, Netherlands
Performance orientation	U.S., Taiwan	Sweden, Israel	Russia, Argentina
Humane orientation	Indonesia, Egypt	Hong Kong, Sweden	Germany, Spain

reconcile these two approches.[44] Other assessments have pointed out that Hofstede may have provided an introduction into the psychology of culture, but further research is necessary in this changing world. The GLOBE analysis is sometimes seen as complicated, but so are cultures and perceptions. An in-depth understanding of all facets of culture is difficult, if not impossible, to attain, but GLOBE provides a current comprehensive overview of general stereotypes that can be further analyzed for greater insight.[45]

Examination of the GLOBE project has resulted in an extensive breakdown of how managers behave and how different cultures can yield managers with similar perspectives in some realms, with quite divergent opinions in other sectors. One example, as illustrated in Figure 4–9, shows how managers in Brazil compare to managers in the United States in a web structure, based on factors such as individualism, consciousness of social and professional status, and risky behaviors. Brazilian managers are typically class and status conscious, rarely conversing with subordinates on a personal level within or outside of work. They are known for avoiding conflict within groups and risky endeavors and tend to exhibit group dynamics with regard to decision-making processes. Managers in the United States, on the other hand, do not focus intensely on different class or status levels. They are more likely to take risks, and while it appears as though they are more individualistic, the graph implies a more tolerant attitude than direct single-person-decision-making structure. Here, both Brazil and the United States show how it is important to have group communication on some level. While Americans value mutual respect and open dialogue, Brazilians may see this behavior as unacceptable, even aggressive, if discussion discloses a large amount of information and includes members from different groups; subordinate and managerial positions.[46]

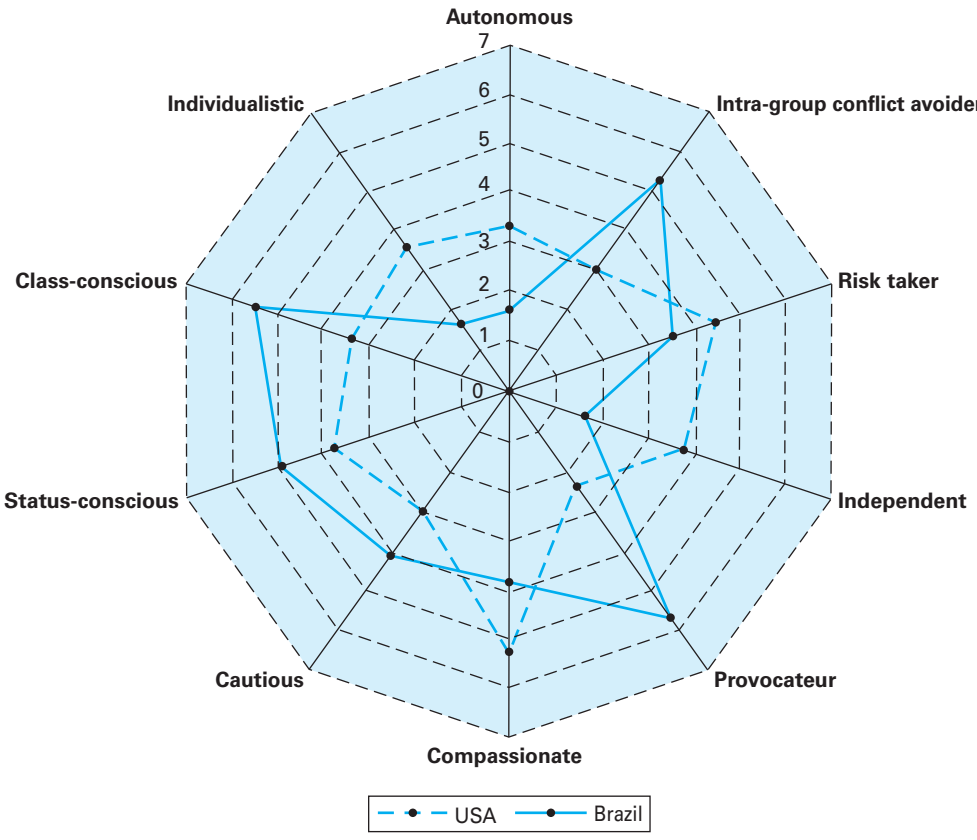


Figure 4–9

GLOBE Analysis: Managerial Perspectives in the United States and Brazil

Source: From Mansour Javidan, Peter W. Dorfman et al., "In the Eye of the Beholder: Cross Cultural Lessons in Leadership from Project GLOBE," *Perspectives—Academy of Management* 20, no. 1 (2006), p. 76. Reproduced with permission of Academy of Management via Copyright Clearance Center.

It has been suggested that if Americans are preparing to do business in Brazil, the representatives should spend an ample amount of time getting to know the Brazilian executives. Be sure to show respect for top managers, and inform subordinates of any plans or changes, encouraging feedback. Managers still make the final decisions, and it is very unlikely that workers will provide any suggestions, but they also do not appreciate simply being told what to do. In other words, family structures, including in-group structures, are very important to Brazilians, but the head of the household still has the last word. Finally, stress short-term, risk-aversive goals to maintain vision and interest in business proposals.[47]

We will explore additional implications of the GLOBE findings as they relate to managerial leadership in Chapter 13.

The World of International Management—Revisited

The discussion of Toyota's problems in the World of International Management that opened this chapter illustrates the importance of culture and how cultural differences may contribute to global management challenges. Cultural distance can influence both positively and negatively how decisions are made, reported, and resolved. Having read this chapter, 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.

Recall the chapter opening discussion about Toyota and then draw on your understanding of Hofstede's and Trompenaars's cultural dimensions to answer the following questions: (1) What dimensions contribute to the differences between how Americans and Japanese workers address management problems, including operational or product flaws? (2) What are some ways that Japanese culture may affect operational excellence in a positive way? How might it hurt quality, especially when things go wrong? (3) How could managers from Japan or other Asian cultures adopt practices from U.S. and European cultures when investing in those regions?

SUMMARY OF KEY POINTS

1. Culture is acquired knowledge that people use to interpret experience and generate social behavior. Culture also has the characteristics of being learned, shared, transgenerational, symbolic, patterned, and adaptive. There are many dimensions of cultural diversity, including centralized vs. decentralized decision making, safety 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.
2. 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.
3. Hofstede has identified and researched four major dimensions of culture: power distance, uncertainty avoidance, individualism, and masculinity. Recently, he has added a fifth dimension, time orientation. 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.
4. In recent years, researchers have attempted to cluster countries into similar cultural groupings to study similarities and differences. Through analyzing the relationship between two dimensions, as Hofstede illustrated, two-dimensional maps can be created to show how countries differ and where they overlap.
5. Research by Trompenaars has examined five relationship orientations: universalism vs. particularism, individualism vs. communitarianism, affective vs. neutral, specific vs. diffuse, and achievement vs. ascription. Trompenaars 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 those of Hofstede while helping support the previous work by Hofstede on clustering countries.

6. 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. These analyses confirm much of the Hofstede and Trompenaars research, with greater emphasis on differences in managerial leadership styles.

KEY TERMS

achievement culture, *127*
ascription culture, *127*
collectivism, *117*
communitarianism, *125*
culture, *108*
diffuse culture, *126*
emotional culture, *126*
femininity, *117*
GLOBE, *130*
individualism, *117*
masculinity, *117*
neutral culture, *126*
particularism, *123*
power distance, *116*
specific culture, *126*
uncertainty avoidance, *117*
universalism, *123*
values, *113*

REVIEW AND DISCUSSION QUESTIONS

1. What is meant by the term *culture*? In what way can measuring attitudes about the following help differentiate between cultures: centralized or decentralized decision making, safety or risk, individual or group rewards, high or low organizational loyalty, cooperation or competition? Use these attitudes to compare the United States, Germany, and Japan. Based on your comparisons, what conclusions can you draw regarding the impact of culture on behavior?
2. What is meant by the term *value*? Are cultural values the same worldwide, or are there marked differences? Are these values changing over time, or are they fairly constant? How does your answer relate to the role of values in a culture?
3. What are the four major dimensions of culture studied by Geert Hofstede? Identify and describe each. What is the cultural profile of the United States? Of Asian countries? Of Latin American countries? Of Latin European countries? Based on your comparisons of these four profiles, what conclusions can you draw regarding cultural challenges facing individuals in one group when they interact with individuals in one of the other groups? Why do think Hofstede added the fifth dimension of time orientation?
4. As people engage in more international travel and become more familiar with other countries, will cultural differences decline as a roadblock to international understanding, or will they continue to be a major barrier? Defend your answer.
5. What are the characteristics of each of the following pairs of cultural characteristics derived from Trompenaars's research: universalism vs. particularism, neutral vs. emotional, specific vs. diffuse, achievement vs. ascription? Compare and contrast each pair.
6. How did project GLOBE build on and extend Hofstede's analysis? What unique contributions are associated with project GLOBE?
7. In what way is time a cultural factor? In what way is the need to control the environment a cultural factor? Give an example for each.

INTERNET EXERCISE: RENAULT-NISSAN IN SOUTH AFRICA

The Renault-Nissan alliance, established in March 1999, is the first industrial and commercial partnership of its kind involving a French and a Japanese company. The Alliance invested more than 1 billion rand in upgrading Nissan's manufacturing plant in Rosslyn, outside Pretoria, to increase output and produce the Nissan NP200 pickup and the Renault Sandero for the South African market. Visit the Renault-Nissan website at http://www.renault.com to see where factories reside for each car group. Compare and contrast the similarities and differences in these markets. Then answer these three questions: (1) How do you think cultural differences affect the way the firm operates in South Africa and in the United States? (2) In what way is culture a factor in auto sales? (3) Is it possible for a car company to transcend national culture and produce a global automobile that is accepted by people in every culture? Why or why not?

In The International Spotlight

South Africa

South Africa, as the name reflects, is located on the far southern tip of the African continent. It is surrounded by water on three sides: in the south and in the west by the Atlantic Ocean, and in the east by the Indian Ocean. Neighboring countries are Zimbabwe, Swaziland, Botswana, Namibia, and Lesotho. The form of government is a presidential democracy. South Africa has three capitals: Pretoria, Cape Town, and Bloemfontein. The country is 1,219,080 square kilometers. The population (in 2009) was 49.1 million people. GDP in 2009 was $495.1 billion, with per capita income at $10,100.

South Africa is known as the "Rainbow Nation," a title that reflects its cultural diversity and the fact that the country's population is one of the most diverse and complex ones in the world. Of the total population, about 31 million are Black, 5 million White, 3 million Coloured, and 1 million Indian. The Black population covers four major ethnic groups consisting of Nguni, Sotho, Shangaan-Tsonga, and Venda. There are a number subgroups; the Zulu and Xhosa are the largest subgroups of the Nguni. The majority of the White population has Afrikaans roots, and 40 percent are of British descent. In South Africa eleven official languages are spoken.

The most significant characteristic of South Africa's modern history was *apartheid,* a system of legal racial segregation enforced by the Nationalist Party between 1948 and 1994, under which the rights of the majority nonwhite population were curtailed in all avenues of life. Apartheid sparked significant tension and violence internally as well as a UN trade embargo against South Africa. A series of popular uprisings and protests were met with the banning of opposition and imprisonment of anti-apartheid leaders, including Nobel Peace Prize winner Nelson Mandela. Reforms to apartheid in the 1980s failed to quell the mounting opposition, and in 1990 President Frederik Willem de Klerk began negotiations to end apartheid, culminating in multiracial democratic elections in 1994, which were won by the African National Congress under Nelson Mandela.

One feature of post-apartheid South Africa was the program Black Economic Empowerment (BEE) designed to redress the inequalities of apartheid by giving previously disadvantaged groups (Black Africans, Coloureds, Indians, and Chinese) economic opportunities previously not available to them. It has included measures such as employment equity; skills development; ownership, management, and socioeconomic development; and preferential procurement.

The 2010 World Cup Soccer tournament put South Africa on the international stage and provided significant economic stimulus, with more than 160,000 net new jobs created. An economist of the German Standard Bank said: "The World Championship 2010 is an important impulse for the South African people. Many people doubted that South Africa would be able to host an event of such international attention, but its stable political situation under the government of the African National Congress, which Nelson Mandela was a member of, is a good sign for potential investors and the finance market." In advance of the games, South Africa invested heavily in transportation infrastructure. South Africa finished most of the first section of their new high-speed Gautrain passenger railway and installed new bus lines. Highways have been upgraded, and the city of Durban managed to complete South Africa's first new greenfield airport in 50 years. The infrastructure projects are creating employment opportunities and are providing workers long-term skills and training. One of many challenges in building the infrastructure for the World Championship was generating power without an unduly adverse environmental impact. Environmentally friendly features such as natural ventilation and rain water capture systems were used in the new stadium facilities.

Despite these developments and improvements, South Africa is still plagued by severe social problems such as pervasive poverty, lack of infrastructure in Black African areas, AIDS, crime, and corruption.

Although South Africa is a transactional culture, meaning they do not require a history with people in order to do business with them, they are a personable people that have deeply rooted traditions. This means it is a good idea to build a rapport with them before doing business as well as furnish counterparts with some background information about oneself or company. South Africans follow the European approach to personal space, meaning people keep their distance when speaking and interacting in the public space.

www.southafrica.info, www.kwintessential.co.uk

Questions

1. In what way could the huge cultural diversity in South Africa pose challenges for MNCs seeking to set up a business there?
2. How is South African culture different from or similar to U.S. culture?
3. In what ways could South Africa benefit from hosting the World Cup in the long term?
4. What do you think are the most pressing social issues in South Africa and how is the country doing in resolving them?

A Jumping-Off Place

A successful, medium-sized U.S. manufacturing firm in Ohio has decided to open a plant near Madrid, Spain. The company was attracted to this location for three reasons. First, the firm's current licensing agreement with a German firm is scheduled to come to an end within six months, and the U.S. manufacturer feels that it can do a better job of building and selling heavy machinery in the EU than the German firm. Second, the U.S. manufacturer invested almost $300 million in R&D over the last three years. The result is a host of new patents and other technological breakthroughs that now make this company a worldwide leader in the production of specialized heavy equipment. Third, labor costs in Spain are lower than in most other EU countries, and the company feels that this will prove extremely helpful in its efforts to capture market share in greater Europe.

Because this is the manufacturer's first direct venture into the EU, it has decided to take on a Spanish partner. The latter will provide much of the on-site support, such as local contracts, personnel hiring, legal assistance, and governmental negotiations. In turn, the U.S. manufacturer will provide the capital for renovating the manufacturing plant, the R&D technology, and the technical training.

If the venture works out as planned, the partners will expand operations into Italy and use this location as a jumping-off point for tapping the Central and Eastern European markets. Additionally, because the cultures of Spain and Italy are similar, the U.S. manufacturer feels that staying within the Latin European cultural cluster can be synergistic. Plans for later in the decade call for establishing operations in northern France, which will serve as a jumping-off point for both Northern Europe and other major EU countries, such as Germany, the Netherlands, and Belgium. However, the company first wants to establish a foothold in Spain and get this operation working successfully; then it will look into expansion plans.

Questions

1. In what way will the culture of Spain be different from that of the United States? In answering this question, refer to Figures 4–5, 4–6, and 4–7.
2. If the company expands operations into Italy, will its experience in Spain be valuable, or will the culture be so different that the manufacturer will have to begin anew in determining how to address cultural challenges and opportunities? Explain.
3. If the firm expands into France, will its previous experiences in Spain and Italy be valuable in helping the company address cultural challenges? Be complete in your answer.