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Role of culture in international business: A synthetic review

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Abstract:

The main objective of the paper is to discuss the role of culture in international business and to present main dimensions and typologies of cultural behaviours while doing business internationally. The article is organised in two sections. At first, cultural context of international business and entrepreneurship is discussed, which constitutes a separate research stream within the international entrepreneurship domain. The second passage is dedicated to the various most important classifications and typologies of cultural behaviours in international business. The article is a typical literature review.

Keywords: culture; internationalization; international business; international entrepreneurship

JEL codes: F23, L20

1. INTRODUCTION

We can define culture as a mental program shaped by the local community, which determines how the individuals and the organizations act (Hofstede, 1980, 1991; Trompenaars, 1993). In business, there are three common approaches to issues related to intercultural differences, however, the quoted above definition of culture is clear that a universal or global approach (standardisation) towards cultural differences in business is inaccurate due to the local nature of culture. It may seem that the local approach (adaptation, localisation) taking into account regional socio-cultural conditions is better. However, the latest global tendencies (supported by research) in management and business studies of various international aspects of doing business, including organizational culture and intercultural communication, speak for a mixed approach, i.e. glocalisation. In the context of doing business

internationally, glocalisation (or glocality¹, as it is also called sometimes), is understood as the so-called mixed approach, taking into account both the benefits of the globalization (including economies of scale, economies of scope, standardization etc.), as well as local conditions, which are predominantly socio-cultural circumstances rooted in the local community. While managing a business in a proper way it is essential to communicate the firm with the external environment, mainly with potential buyers of products. A firm in its activities of planning and carrying out operations in international markets should take into account the socio-cultural factors, which especially currently play an important role, being one of the dimensions of the international environment (Belniak, 2015; Bednarczyk & Wach, 2004). The most important elements of the socio-cultural business environment include among others hierarchy of values, attitudes to foreign products, the problems associated with the issue of linguistic correctness, political correctness and cultural conventions (Griffin & Pustay, 2015, p. 108-170; Horská & Paluchová, 2014, p. 69-102).

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2. CULTURAL CONTEXT OF INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP

In a broad understanding, international entrepreneurship includes at least two different research areas (Wach, 2015; Wach, 2014, p.434; Wach & Wehrmann, 2014, p.15):

- creative process of recognition and exploitation of opportunities in foreign markets; in this sense, this research area is the same as the traditional approach of the theory and practice of entrepreneurship, using the same analytical tools as in the case of establishment of domestic ventures; what is crucial, it is characterised by a high degree of creativity, innovation and entrepreneurship, and a special role in the internationalisation process is attributed to the entrepreneur,
- international studies and comparative research in the field of entrepreneurship; in this sense, this research area is the same as with traditional international comparative studies, placing entrepreneurship as the main subject of these comparative studies (e.g. GEM).

Jones *et al.* (2011) point out three parallel streams (types) of research within international entrepreneurship, namely:

¹ The term is a patchwork of two words (glocal = global + local).

- entrepreneurial internationalisation (A),
- international comparisons of entrepreneurship (B),
- international comparisons of entrepreneurial internationalisation (C).

It should be noted that in the framework of international entrepreneurship, there are many concepts and models (Coviello *et al.*, 2014). On the basis of an ontological analysis of the articles in this area for the years 1989–2009, Jones *et al.* (2011) have developed a taxonomy containing 69 different themes within 14 thematic areas and three main types. International comparisons of entrepreneurship is threefold: cross-country, cross-culture as well as combines cross-country and cross-culture comparisons.

Cultural context significantly influence the way of conducting a business (economic practice), forcing the adaptation of a firm activity to socio-cultural requirements which are in force in a given local community (Wach, 2003; Glinka & Thatchenkery, 2013). They perform a fundamental role in conducting business activity at the international scale (international business / international entrepreneurship), particularly in the process of the world economy globalization and integration in Europe (Wach, 2015).

3. CROSS-CULTURAL DIFFERENCES AND DOING BUSINESS WORLDWIDE

In the literature of the subject, various solutions to the problem of cross-cultural differences in business are suggested (Szczepankiewicz & Wach, 2006). In 1960s Hall identified two types of cultures, which are still commonly used in business studies, they are low and high context cultures (Hall, 1960). Representatives of high context cultures pay a lot of attention to nonverbal communication and the cultural situational context, while low context culture representatives are very direct and focus on verbal communication (Figure 1). Croucher *et al.* (2012) based on a survey's results of 1795 respondents (India $n = 657$, Ireland $n = 311$, Thailand $n = 232$, USA $n = 592$) confirmed that high-context nations prefer the avoiding and obliging conflict styles more than low-context nations, whereas low-context cultures prefer the dominating conflict style more than high-context cultures.

Based on a research study among 53 countries, Hofstede (1980; 1991) developed a model of five dimensions of national culture (Figure 2), which are power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance and long-term orientation (Hofstede, Hofstede & Minkov, 2010; Hofstede, Pedersen & Hofstede, 2002).

Based on a study over 15 years in 50 countries, Trompenaars (1993) prepared a five-element concept of cultural dimensions, which was developed later into seven dimensions (Hampden-Turner & Trompenaars, 1993). They are universalism vs. particularism, individualism vs. collectivism, neutral vs. emotional, specific vs. diffuse, achievement vs. ascription, sequential vs. synchronic, internal vs. external control.

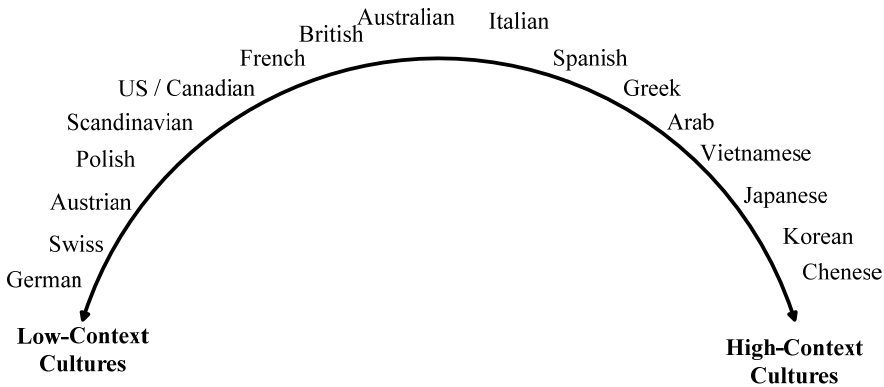


Figure 1. Examples of low and high context cultures according to Hall
Source: adapted from Hall (1960) and Hall & Hall (1990).

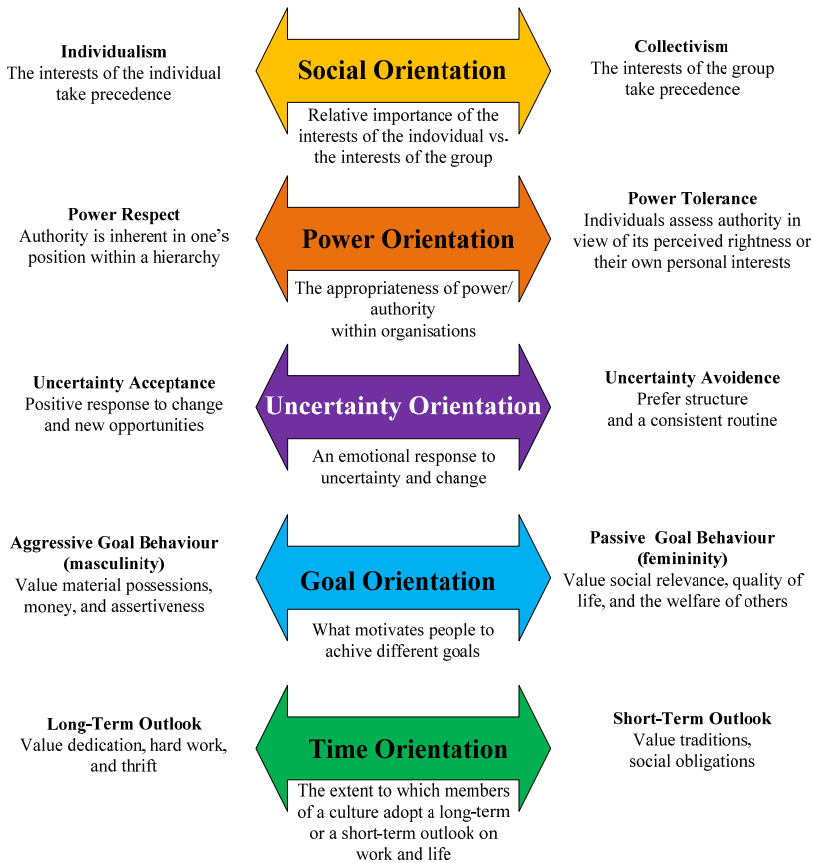


Figure 2. Hofstede's five dimensions of national culture
Source: adapted from Griffin & Pustay (2015, p. 129).

Lewis (1996; 2005) distinguishes three types of cultures: linear-active, multi-active and reactive ones (Figure 3). Representatives of linear-active culture (e.g. Germans, Scandinavians, Brits) focus generally on one task at a time, while multi-active culture representatives (such as Italians, Spaniards, Slavs) can share their attention among different business tasks. The representatives of reactive cultures wait until the other side is listened.

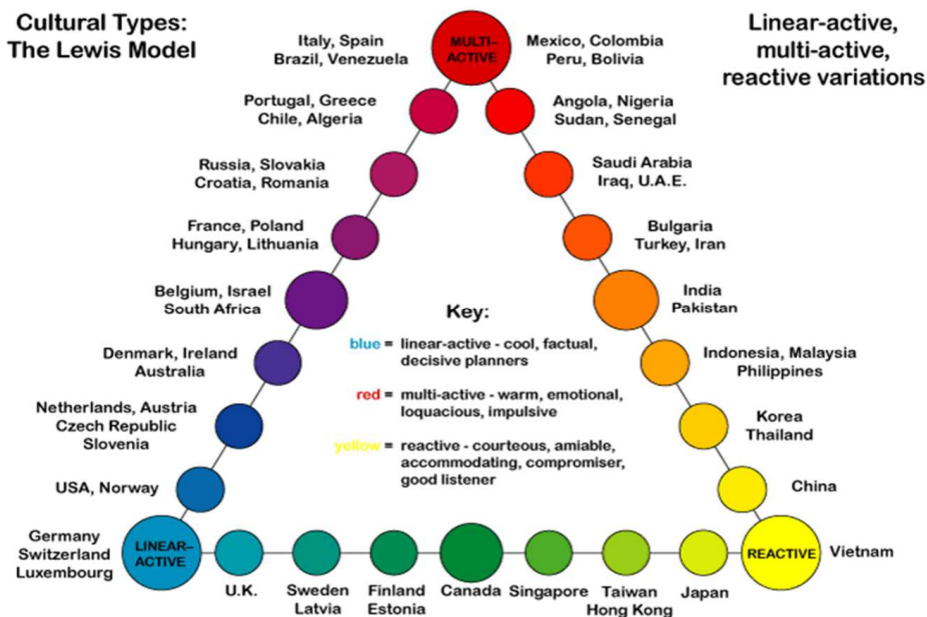


Figure 3. Cultural categories of communication according to Lewis
Source: Lewis (2005, p. 89).

In his research first published in 1990, Mole (2003) answers the question posed by himself: “How to cope with the difference in cultures on the common European market area?” He proposes the use of a simple tool facilitating the assessment of various methods of firm functioning that so-called “the Mole map” is (Figure 4). Mole distinguishes two models of leadership (the individualistic one and the group one), and two models of organization (the systematic one and the organic one) according to which he performs the division of cultures in Europe (Wach, 2004). The systematic model of an organization recognizes the mechanistic functioning of an organization designed and built according to certain specifications, which enables to achieve the goal intended by the organization. Thus, the foundation of a systematic organization is coordination and clearly defined relations among the organization members. The model is typical for Scandinavian countries, among others. On the other hand, the organic model of an organization is based on the conviction that an organization resembles a living organism and is the personi-

fication of its members' needs. The effectiveness of an organic organization depends on the extent to which its members are able to cooperate in order to achieve the common goal. The organic model of an organization is typical, among others, for Mediterranean countries (Spain, Portugal, Italy, Greece). The individualistic model of leadership reflects the autocratic management model (directive, despotic, "top-down" management). Its basis is the conviction that people are unequal by their nature and the most competent individuals make decisions on behalf of others. According to Mole's concept, "powerless" creatures are supposed to submit to "powerful" creatures. A typical example of a country with the individualistic approach to leadership is Russia. On the other hand, the basis of the group approach is the conviction that although individuals may differ in capabilities or the effectiveness of action, everybody has the right to be heard, and everyone is entitled to participate in taking decisions concerning them. Such a model is reflected, among others, in the Swedes' or Danes' approach. The map shows mainly cultural differences occurring in Europe (Daszkiewicz & Wach, 2013, p. 154).

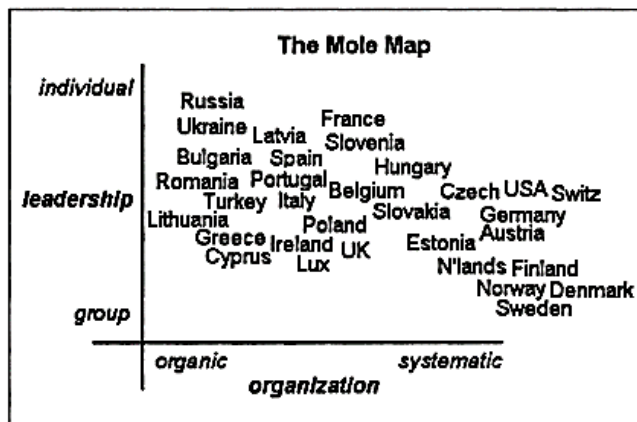


Figure 4. The map of entrepreneurship culture in Europe according to Mole
Source: Mole (2003, p. 39).

Gesteland (2005) proposes the classification of business cultures based on four variables, out of which each is two-dimensional, as a result of which one can isolate eight main features of the business world cultures, and on this basis divide entrepreneurship cultures (Table 1). The culture types according to this concept are as follows: relationship-focused – deal-focused; formal – informal; rigid-time – fluid-time; expressive – reserved cultures.

Of course, in practice we can also come across types of cultures which depart from model behaviours, then they are defined as moderate, or as moderate with the direction of attitude. Although in some cultures mixed cultures also occur, it often happens due to the regional differentiation of individual nations (Wach, 2004). The knowledge of cultural differences enables entrepreneurs to avoid misunderstand-

ings in negotiations with a foreign partner and to achieve mutual agreement. However, regardless of the awareness of differences in the world of international business, two iron principles are in force (Gesteland, 2005, p. 16): the seller is expected to adapt to the buyer, as well as the visitor is expected to observe local customs.

Table 1. Cultural models of behaviours in business according to Gesteland

Criterion	Types of culture	Characteristics
Business orientation vs. personal relations („Great divide”)	relationship-focused	Focus on people and the use of a complicated network of personal relationships. Mutual understanding, honest, open and not much context-embedded expression of oneself is important.
	deal-focused	Focus on task completion and openness to make business with foreigners. During meetings, it takes only a few minutes (or it happens immediately) to get down to business.
Significance of social status, hierarchy, power and showing respect	formal	It is based on clear hierarchies reflecting great differences in social status and the scope of authority among people, and strong attachment to tradition in interpersonal relations. Respect and esteem are shown, differences in social and professional status are valued.
	informal	More egalitarian organization is appreciated, with smaller differences in social status and scope of authority, and less attachment to tradition. There are few protocol rituals and they are not complicated.
Attitude to time and schedules	rigid-time	A lot of emphasis is put on punctuality and adherence to schedules, as well as the rigidity of fixed dates. Meetings are rarely interrupted.
	time fluid	What is valued are loose schedules and sittings during which a few meeting can take place at the same time. People and relations among them are more important than punctuality and precisely arranged schedules.
Non-verbal ways of behaving in business	expressive	High expression of speech, both the verbal one and the body language. Quite loud way of speaking, interruptions, silence causes embarrassment. Spatial distance is very scarce, interlocutors often touch each other. Direct, intense looking into somebody's eyes.
	reserved	High verbalism of speech, its relatively low expressiveness. Only verbal utterances count. The interruptions of utterances take place rarely or do not happen at all. They value distance, avoid intense, constant looking into partners' eyes, little gesticulation.

Source: own study on the basis of Gesteland (2005 – various pages).

In early-1990s House conceptualised the GLOBE (Global Leadership and Organizational Behavior Effectiveness) study researching into nine dimensions of cultures, namely power distance, uncertainty avoidance, human orientation, institutional collectivism, in-group collectivism, assertiveness, gender egalitarianism, future orientations as well as performance orientation (House, Hanges, Javidan

& Dorfman, 2004). Radziszewska (2014) using the GLOBE results proposes a relational concept linking cultural dimensions and entrepreneurship orientation and behaviour (Table 2).

Table 2. Relationship between cultural dimensions and international entrepreneurship

Cultural dimensions	Influence on entrepreneurship
Long term orientation	positive
Short term orientation	negative
Low power distance	positive
High power distance	negative – new family firms creation positive – entrepreneurship can be used to increase one's power
Individualism	positive
Collectivism	negative – entrepreneurship is based on individualistic orientation positive – more social support is offered in collectivistic societies
Human orientation	positive
Performance orientation	positive
Future orientation	positive
Low uncertainty avoidance	positive
High uncertainty avoidance	negative – formalisation and resistance to risk is against entrepreneurship positive – quality of products and services

Source: Radziszewska (2014, p. 44-45).

The GLOBE puts nations into cultural clusters that are grouped based upon cultural similarities and currently there are the following ten societal clusters (Javidan & Dastmalchian, 2009):

1. Anglo-Saxon cultures including England, Australia, South Africa (the white sample), Canada, New Zealand, Ireland, the United States;
2. Germanic Europe including Dutch-speaking (Netherlands, Belgium and Dutch-speaking France) and German-speaking (Austria, German-speaking Switzerland, Germany, South Tyrol, Liechtenstein);
3. Latin Europe including Italy, Portugal, Spain, France, Switzerland (French and Italian speaking);
4. Nordic Europe including Finland, Sweden, Denmark;
5. Eastern Europe including Hungary, Bulgaria, Romania, the Czech Republic, Slovakia, Poland, Lithuania, Latvia, Estonia, Serbia, Greece, Slovenia, Albania, Russia;
6. Latin America including Costa Rica, Venezuela, Ecuador, Mexico, El Salvador, Colombia, Guatemala, Bolivia, Brazil, Argentina;
7. Arab cultures including Algeria, Qatar, Morocco, Egypt, Kuwait, Libya, Tunisia, Lebanon, Syria, Yemen, Jordan, Iraq, United Arab Emirates, Bahrain, Saudi Arabia, Oman;
8. Sub-Sahara Africa including Namibia, Zambia, Zimbabwe, South Africa (Black Sample), Nigeria;

9. Confucian Asia including Taiwan, Singapore, Hong Kong, South Korea, China, Japan, Vietnam;
10. Southern Asia including India, Bangladesh, Indonesia, Malaysia, Thailand, Iran, Philippines, Turkey.

4. CONCLUSIONS

In every society there is a hierarchy of values resulting from tradition, the current standards of education or religion. Entering a foreign market, a firm should adapt to these values. It may be noted that many businesses, no matter what strategy chosen (standardization adaptation or the mixed strategy), are trying to fit the mould of their activities, especially promotion strategy to the current socio-cultural system. Still, from time to time they erupt further scandals associated with failure to consider the local environmental conditions. In March 1999, in the Czech newspapers the advertising of *Volkswagen Bora* appeared. It was an army map of the Czech Republic, and the advertising slogan sounded *Great spring offensive*. It is hardly surprising that the Czechs were shocked, because exactly 60 years before a German came up with exactly the same idea. *Volkswagen* had no choice but to apologize to the Czech customers for that unfortunate advertisement of a new car make (Wach, 2004).

In practice, many firms entering new markets break the existing system of values unconsciously. There are also examples of usually large companies that intentionally try to maintain promotional activities in such a way as to come into conflict with the socio-cultural in a given market. A classic example is the Italian company *Benetton*. This Italian clothing manufacturer used to be one of the most scandalous promotion in international markets. As the creator of such a line of action is considered Oliviero Toscani, the author of the most controversial billboards. They elicited numerous protests, but sales of *Benetton* was growing. One of the most popular examples of a strategy based on a conflict with the socio-cultural environment are billboards from 1990s with a nun and a priest kissing each other. In Poland and Italy, these ads were negatively welcomed, but in England, the poster was awarded.

Emotions to foreign products also play an important role. Almost all markets phenomenon of solicitation to buy goods of domestic production. In many countries, they developed slogans urging to buy domestic goods (including *Buy British* in the UK, *Buy American* in the USA, or *Teraz Polska* in Poland). In some countries, there are very radical currents against foreign goods imported from a particular country (e.g. Polish food on the Czech market).

It is important to have proper knowledge or at least to be aware of the main conditions that occur in the market in which we do business or have negotiations with, especially these conditions resulting from the socio-cultural factors. In recent years, it is turning more and more attention to cultural factors that can lead to numerous conflicts and ultimately bring the opposite than expected, intentions. Some management styles may not be easily transferred from one cultural group to another

one, because it may encounter resistance or reluctance of employees, this is why globalisation seems now to be the approach that is most commonly used by modern businesses.

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