

Cultural Differences

BUS2200 – Chapter 3

Chapter 3 Book (79-111) =
Chapter 4 in Hill 10th Edition =
Therefor Chapter 4 on Connect

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Clarification



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Last week: looked at macro-level differences between markets

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Culture is at a lower, meso-level of analysis

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Culture is at a lower, meso-level of analysis

But is crucial for success in international business

Cultural Literacy

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Which means that it is also...?

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A Competitive Advantage

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- Cultural Differences (and actually some other factors we will talk about later in the semester) show us that globalization is far from 100%.
- There is a connection between Cultural Differences and the cost of doing business.
- **Because: Cultural Differences raise the need for adaptation (as opposed to standardization).**



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Cultural Literacy



Chicken **Maharaja Mac™**



Nimma Wurscht!

Der Veggie Burger.

NEU!
100% VEGETARISCH





Cultural Illiteracy



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 - **values** are abstract ideas about what a group believes to be good, right, and desirable
 - **norms** are the social rules and guidelines that prescribe appropriate behavior in particular situations
- **Society** - a group of people who share a common set of values and norms

Understand: Culture is
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And that is why you can use these “generalizations” to distinguish cultures (i.e. markets) from each other

Drill Down

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Let's review the different components of Culture...

Values & Norms

- Values provide the context within which a society's norms are established and justified and form the bedrock of a culture
- Norms include
 - **folkways** - the routine conventions of everyday life
 - **mores** - norms that are seen as central to the functioning of a society and to its social life
- Together Values & Norms form the foundation of the Political Economy of a nation state...(with a caveat)



Folkways

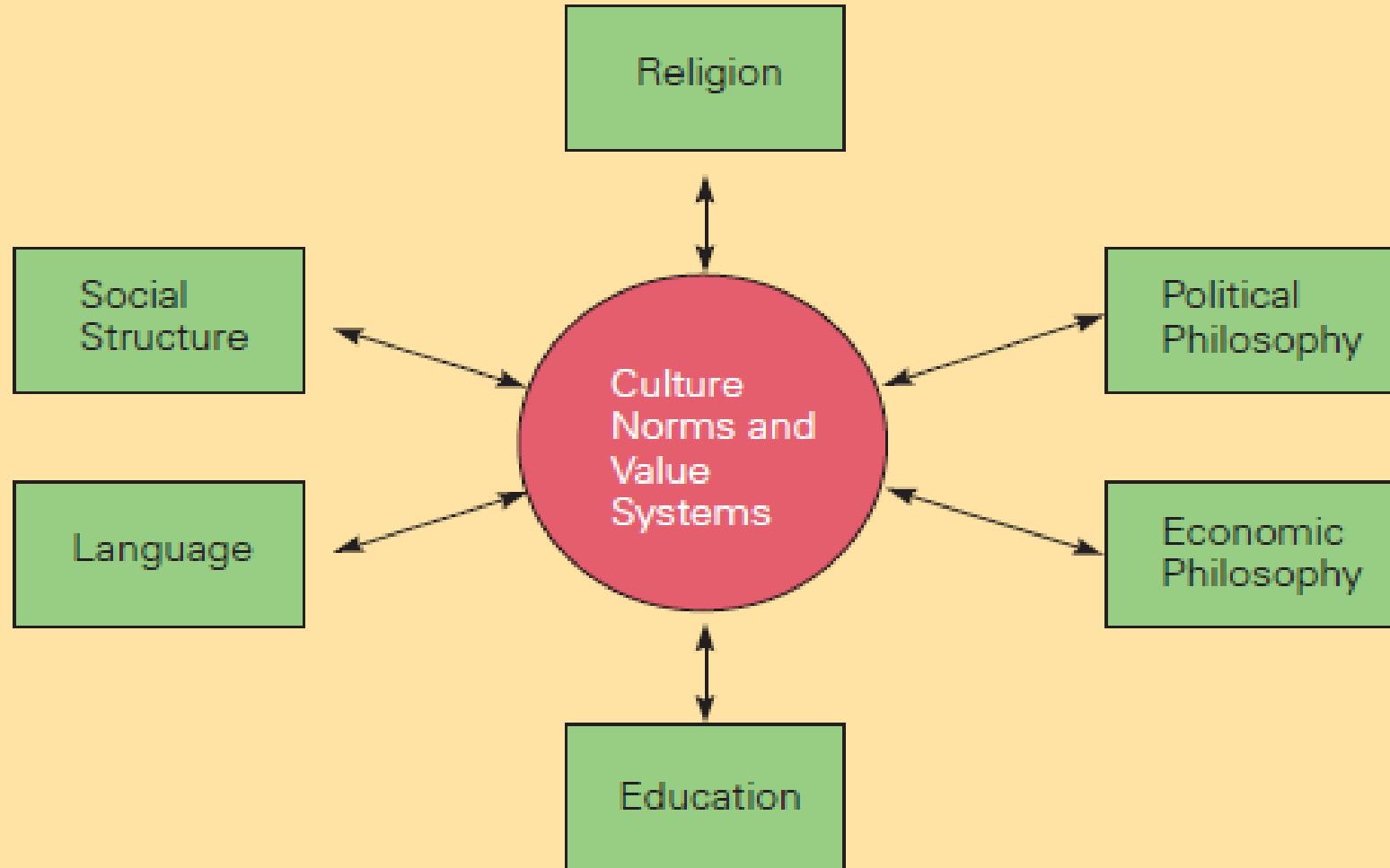


Caveat

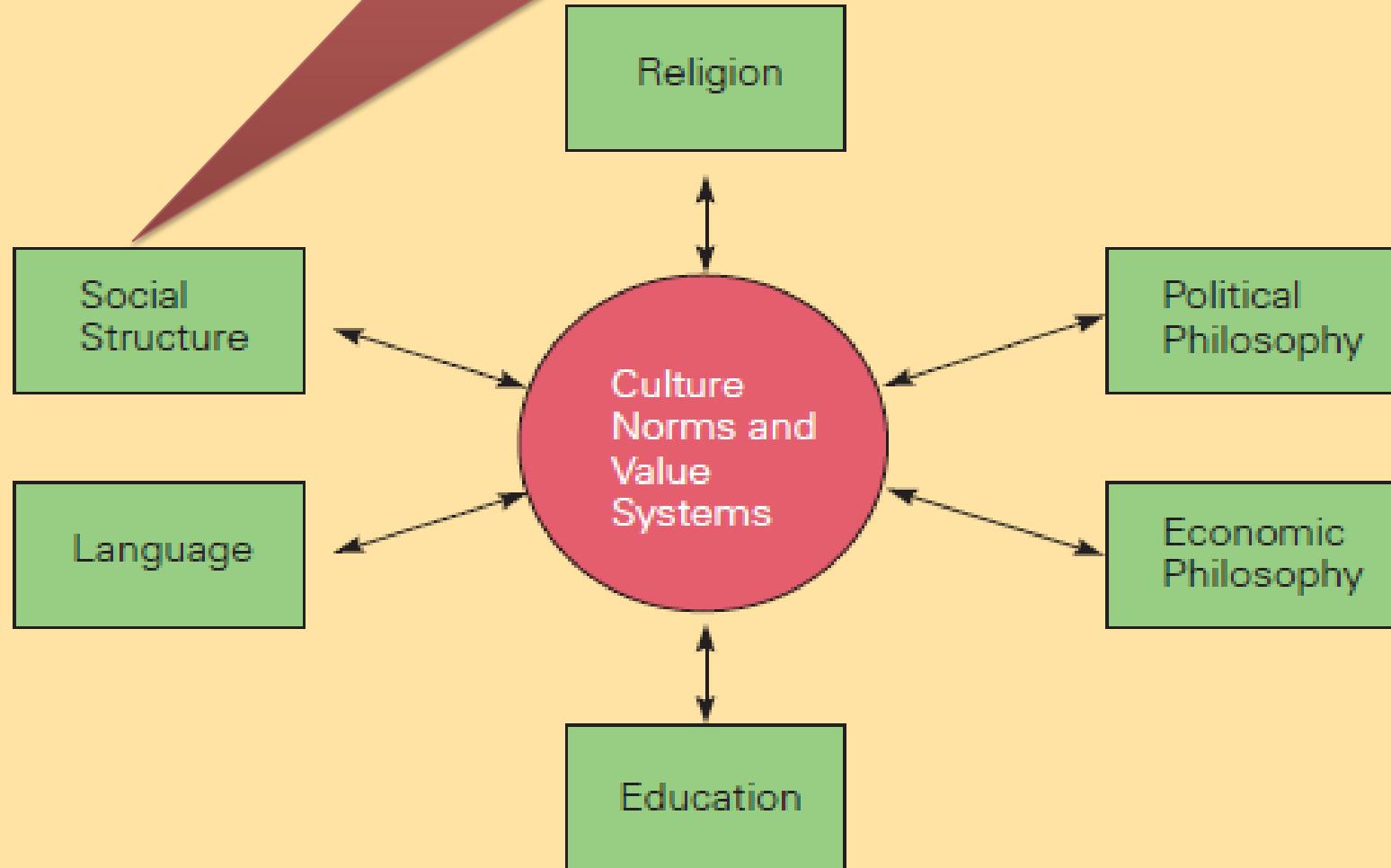
- The relationship between a society and a nation state is not strictly one-to-one
- Nation-states are political creations
 - can contain one or more cultures
- A culture can embrace several nations

Culture Stems From...

- Culture evolve over time (**=Dynamic**)
 - Determinants include
 - religion
 - political and economic philosophies
 - education
 - language
 - social structure

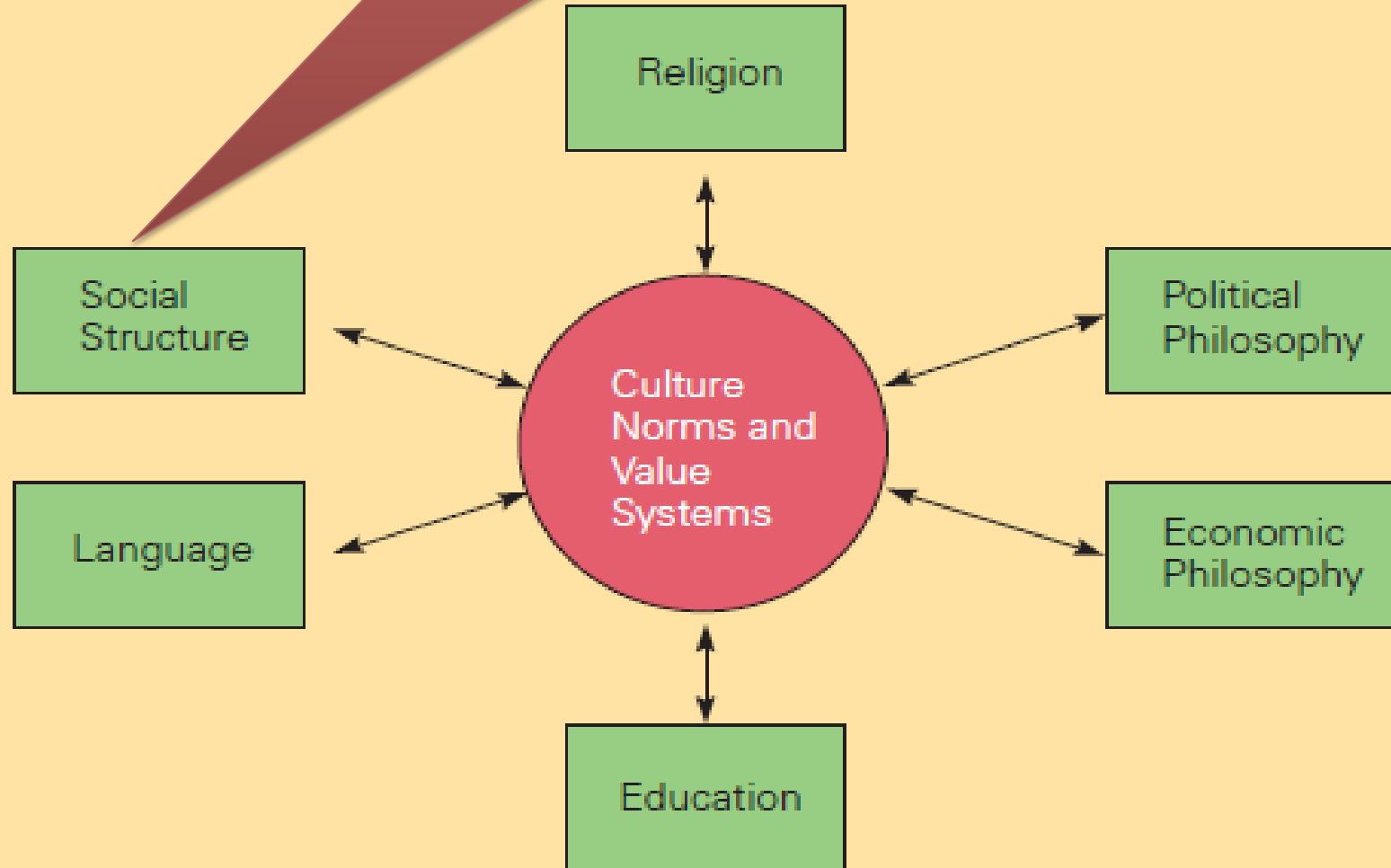


Individualism vs. collectivism



Individualism vs. collectivism

Pages: 94-95



To Repeat:

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Social Groups



Group – Social Strata

- A **group** is an association of two or more people who have a shared sense of identity and who interact with each other in structured ways on the basis of a common set of expectations about each other's behavior
 - individuals are involved in families, work groups, social groups, recreational groups, etc.
- Societies place different values on groups
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Individual

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

Group-Focus

- In many Asian societies, the group is the primary unit of social organization
 - discourages job switching between firms
 - encourages lifetime employment systems
 - leads to cooperation in solving business problems
- But, might also suppress individual creativity and initiative

Stratification

- All societies are stratified on a hierarchical basis into social categories, or **social strata**
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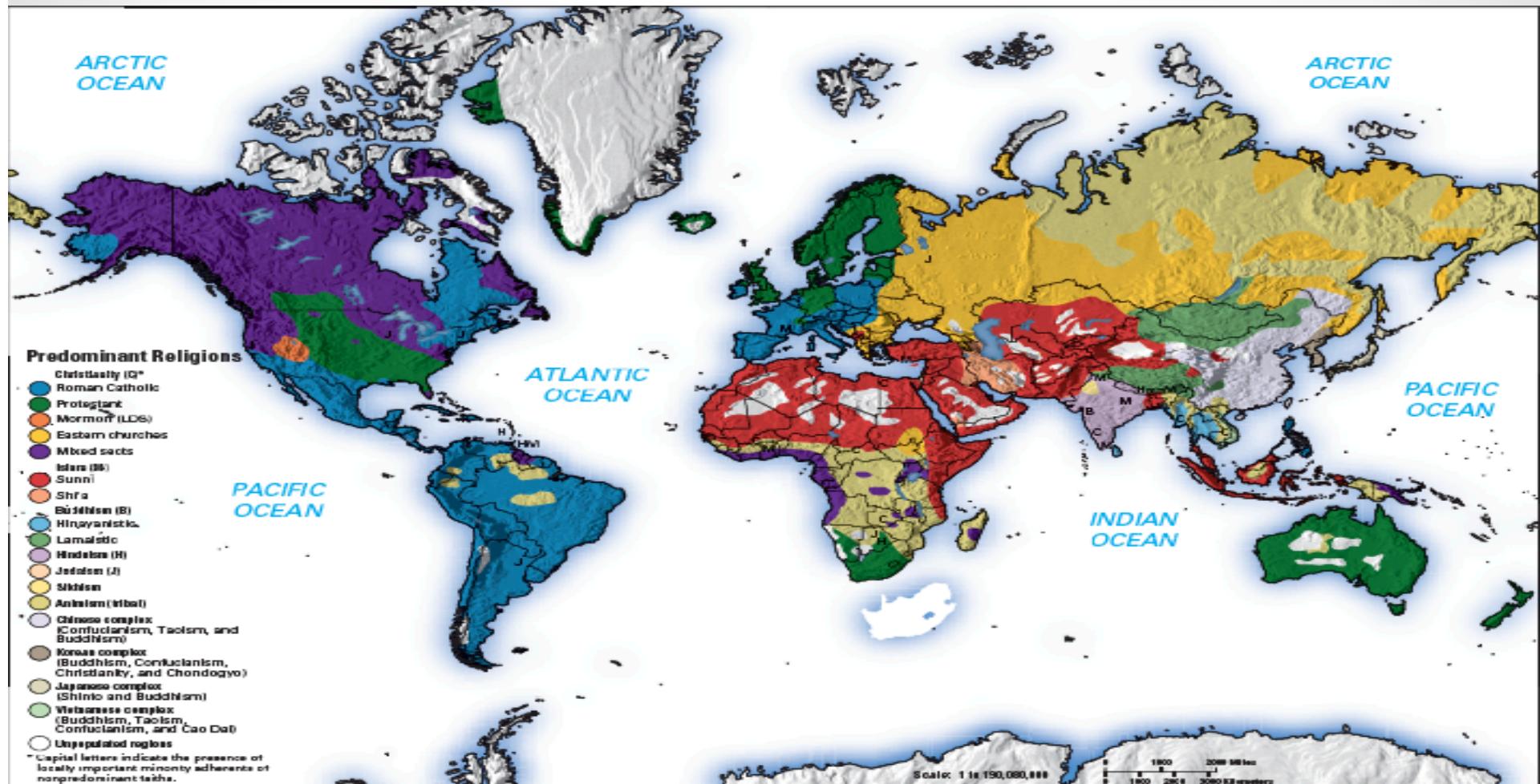
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Religious Systems

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Pages 89 - 97



Religious Systems

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Pages 89 - 97

Language

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The Obvious Difference





Spoken and Non-Spoken



THE THUMBS UP

Australia, USA, UK,
Canada, Russia

A sign of approval.

Latin America, West Africa,
Iran, Iraq, Afghanistan
In other parts of the world,
this is seen as an 'up yours'.

France, Switzerland



- Language is one of the defining characteristics of culture
 - Chinese is the mother tongue of the largest number of people
 - English is the most widely spoken language in the world
 - English is also becoming the language of international business
 - but, knowledge of the local language is still beneficial, and in some cases, critical for business success
 - failing to understand the nonverbal cues of another culture can lead to communication failure

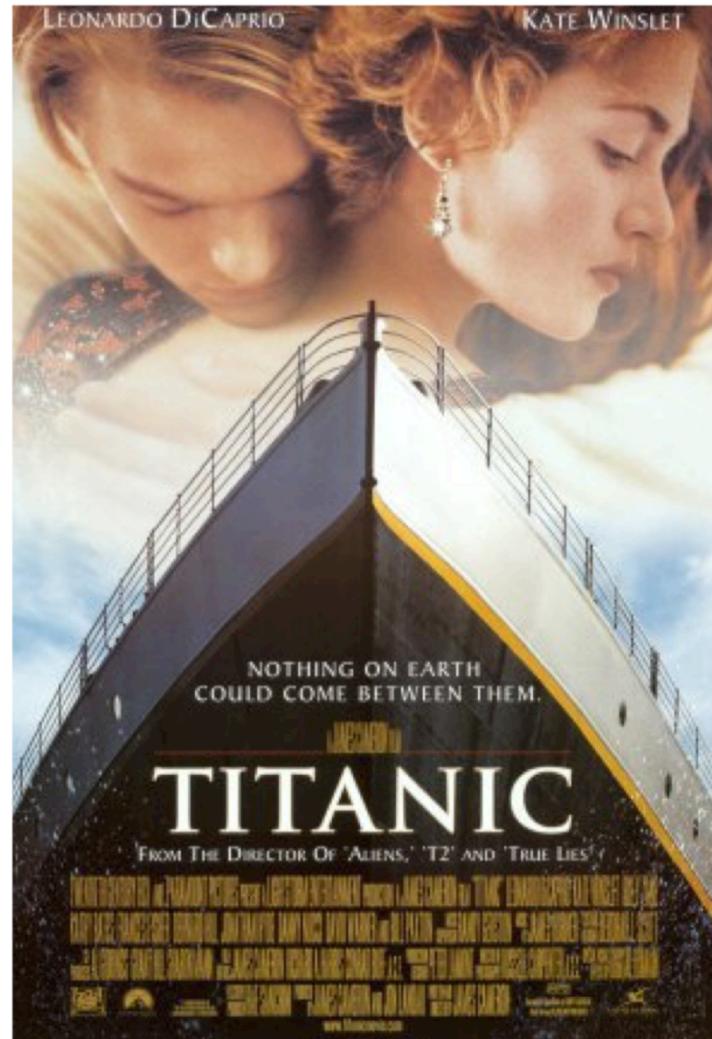
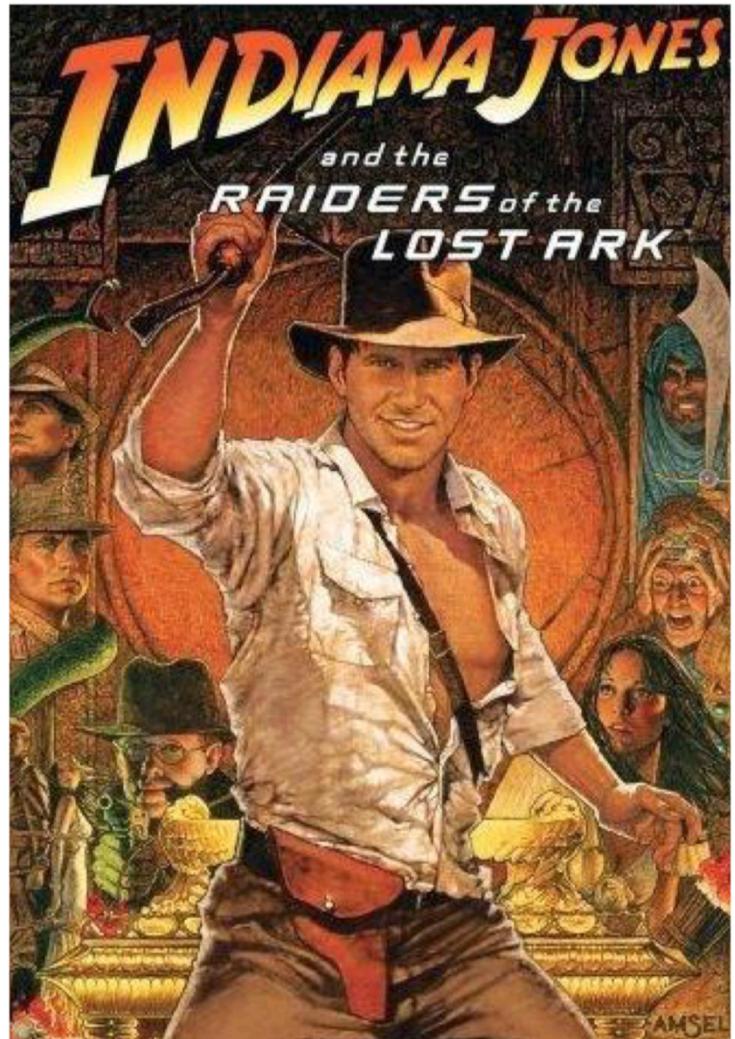


Education

- Formal education: learn language, conceptual, and mathematical skills (indispensable in a modern society)
 - important in determining a nation's competitive advantage
 - *Japan's postwar success can be linked to its excellent education system*
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 - general education levels can be a good index for the kinds of products that might sell in a country
 - Example: impact of global differences in English literacy rates





Culture's Impact in the Workplace

- Management processes and practices must be adapted to culturally determined work-related values
- Geert Hofstede studied culture using data collected from 1967 to 1973 for 100,000 employees of IBM
 - Hofstede identified four dimensions that summarized different cultures

- Hofstede's dimensions of culture:
 1. **Power distance** - how a society deals with the fact that people are unequal in physical and intellectual capabilities
 2. **Uncertainty avoidance** - the relationship between the individual and his fellows
 3. **Individualism versus collectivism** - the extent to which different cultures socialize their members into accepting ambiguous situations and tolerating ambiguity
 4. **Masculinity versus femininity** -the relationship between gender and work roles

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

- Hofstede later expanded added a fifth dimension called **Confucian dynamism** or long-term orientation
 - captures attitudes toward time, persistence, ordering by status, protection of face, respect for tradition, and reciprocation of gifts and favors
 - Japan, Hong Kong, and Thailand scored high on this dimension
 - the U.S. and Canada scored low

- Hofstede's work has been criticized for several reasons
 - made the assumption there is a one-to-one relationship between culture and the nation-state
 - study may have been culturally bound
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 - culture is not static – it evolves

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 - made the assumption there is a one-to-one relationship between culture and the nation-state
 - study may have been culturally bound
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 - culture is not static – it evolves
- *But, it is (at least) a starting point for understanding how cultures differ, and the implications of those differences for managers*

But...

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Yet Another Important Warning!

- Culture evolves over time
 - changes in value systems can be slow and painful for a society
- Social turmoil - an inevitable outcome of cultural change
 - Economic growth = Cultural change
economic progress encourages a shift from collectivism to individualism
 - globalization also brings cultural change

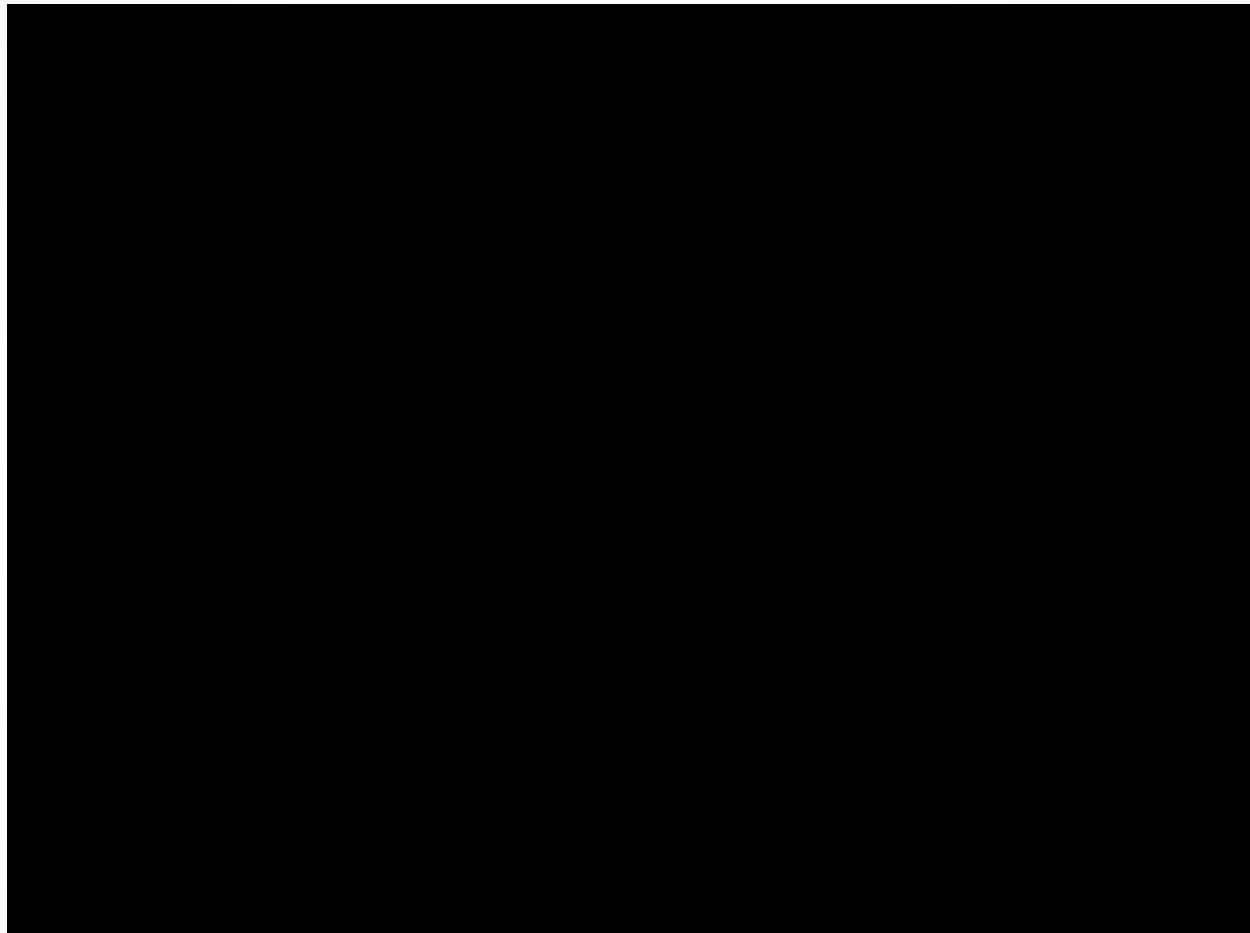
Impact on IB

1. It is important to develop cross-cultural literacy
 - See Wal-Mart Case
 - Avoid being under-informed
 - consider hiring local citizens
 - transfer executives to foreign locations on a regular basis
 - Managers must also guard against **ethnocentrism**
 - a belief in the superiority of one's own culture

Impact on IB

2. Connection between culture and national competitive advantage
 - suggests which countries are likely to produce the most viable competitors
 - has implications for the choice of countries in which to locate production facilities and do business

Wal-Mart in Germany Case



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Wal-Mart in Germany

- Shows how cross-cultural issues affect business on a number of different levels:
 - Management Level:
 - CEO not culturally literate
 - Different legal requirements for HR management
 - Power distance

Wal-Mart in Germany

- Shows how cross-cultural issues affect business on a number of different levels:
 - Customer Level (i.e. market level)
 - Greeters/smiling cashiers/baggers
 - Customers' cost perceptions
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 - **Competitive landscape sets customer expectations**

See You on Thursday