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IBUS7302 S1 2023 Mid-Semester Examination | Celine Ma (47532636) – 22/03/2023

Question 2:

Hofstede's concept of psychic distance (1991) refers to the perceived distance between the home country of a firm and the targeted host country when the firm wants to operate international business. The concept developed by Hofstede can be used as tool for firms to better understand the cultural factors and differences between countries when engaging in international business. In this essay, we will be focusing on the psychic distance between Japan and New Zealand.

The psychic distance between two countries can be measured through four major dimensions: power distance (PD), uncertainty avoidance (UA), masculinity vs. femininity, individualism vs collectivism.

First, the power distance (PD) describes the distribution of power within a society. Compared to New Zealand, Japan has a very high score for PD, which implies that Japanese people highly value hierarchical status. Hence, they less likely to contradict one's opinion and to challenge hierarchy. Whereas New Zealanders are more comfortable with dealing diverge opinions with others of higher positions. Instead a direct approach which is common in Western societies, the firm will have to deal with the indirect formulation implied by workers for example.

Regarding uncertainty avoidance (UA), Japan has also a high-UA contrary to New Zealand. UA describes the extent of how a society is comfortable with uncertainty. A higher UA score implies a need for clarity and formality. This can be manifested in strict code, rules and processes.

The masculinity vs. femininity dimension introduced in Hofstede's concept, refers to the traditional value associated with gender. For one society, the higher their score for masculinity is, the more they are task-oriented. Whereas a lower level of masculinity (i.e. high level for femininity), the society put more importance on relationship, by providing support and encouraging conciliation. Hence, compared to Japan, New Zealand is more on the feminine side. As a result, the firm should take into consideration that Japanese employees will more comfortable with a codified structure, that may appear cold in Western societies.

Lastly, New Zealand is very individualistic society, while Japan promotes collectivism. As a result, in western societies where managers are more likely to praise individual contribution, Japan society focuses more on the work of the team instead of just one member.

Although Hofstede's findings can help understand the cultural differences between two societies, some claim that the concept of psychic distance does not show the whole complexity of one's society culture. In fact, the four dimensions used in Hofstede's concept only offer a first glimpse of a society, but it does not apply to each unique individual. Hence, this can lead to stereotyping one country.

As a result, a firm from New Zealand that wishes to set their activity in Japan, will have to adjust their management style, and processes to provide a good work environment for their Japanese employees. Although, each individual is different and may be more comfortable in one structure than another, theories have shown that aligning with the cultural values helps to build a more productive organisational structure.