

2.5 Organisational (corporate) culture (HL)

Tool: Hofstede's cultural dimensions (HL)

Globalisation is the increased movement of people, products, ideas and culture across international borders. Though it is clear how globalisation has reduced cultural differences in certain areas, there are still significant differences in the values, assumptions, beliefs and practices of people in different countries. Systems and structures for managing people are uniquely determined by tradition. If a Japanese worker is asked to discuss the fairness of pay, they will probably use the proverb, 'The nail that sticks out should be hammered down', stressing the need for egalitarianism and group compliance. A US worker, however, may be dissatisfied if their contribution to the success of the company is not individually recognised in financial terms. Businesses that wish to operate in a multinational context need to understand and adapt to cultural diversity both in their internal operations with human resources and with regard to their marketing.

National cultural context

Geert Hofstede is a prominent theorist on national culture. He has referred to culture as the 'software of the mind'. In his book *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations* (2001), Hofstede describes a study based on 1968 and 1972 survey data collected on IBM employees across more than 60 countries. His study provides insights into varying cultural traits in these countries. Through this study, Hofstede identified the following dimensions that can help to analyse cultural differences between national groups:

- **Power distance.** This is the extent to which people are prepared to accept a hierarchical power structure. This dimension explains the degree of organisational hierarchy and the extent of formality in chains of communication. Northern Europe and the USA have low power distance. This means that there is likely to be more bottom-up communication and less hierarchy. Southern Europe, Latin America and Africa are more comfortable with hierarchy and paternalism.
- **Uncertainty avoidance.** This is about the degree of tolerance that members of society have towards risk and ambiguity. People

in Japan, Latin America and Mediterranean countries are more risk averse. In these countries, rules may be tighter and there is likely to be more hierarchy; there are formal chains of command. In the UK, Sweden and the USA, employees and organisations are more likely to take risks and are more comfortable with ambiguity. In these countries, there will be less hierarchy, and thinking outside the box is more common.

- **Individualism versus collectivism.** This dimension is about whether the society values individuals or the group more highly. Individualistic societies value individual contributions and are more competitive. In collectivist societies, contributions to the common good are valued and individualism is often frowned upon. In countries that are more individualistic, like the USA, you are more likely to see rewards such as performance-related pay. Higher degrees of collectivism are found in Asia, Latin America, Eastern Europe and developing countries.
- **Masculinity versus femininity.** This dimension explains the values of the group in terms of the 'masculine' values of financial rewards, personal recognition, competition and the self as opposed to the 'feminine' values of wellbeing, personal relations, nurturing and sharing. These values might affect, for example, how common it is to provide flexible working conditions to achieve a better work–life balance. Japan, Austria and Latin American countries are considered masculine countries, while Scandinavian countries and the Netherlands are more oriented on wellbeing, relating and sharing. This can help explain why the Netherlands is the country with the highest level of part-time labour in Europe.
- **Long-term versus short-term orientation.** This dimension explores the differences in businesses in terms of the time horizon of their objectives. Some countries, particularly in Asia, are more oriented towards long-term objectives; these societies

are willing to pursue more patient business strategies. Short-term thinking is associated with Anglo–Saxon countries in particular. In these countries, objectives are more focused on short-term profitability, which can put more pressure on businesses to deliver high revenues and cut costs. However, such strategies may be damaging to the business in the long term. Taking high risks to earn more revenue or cutting costs excessively can both damage the long-term health of the business.

- **Indulgence versus restraint.** This dimension is about the extent to which the society allows people to freely satisfy their basic human drives related to having fun and enjoying life. Those societies that are indulgent permit and even encourage this. However, in those societies that are defined by restraint, people are more likely to suppress personal gratification. In these societies, there may be social norms that significantly restrict people's behaviour.

Although Hofstede's study offers a framework to consider cultural differences, there are many criticisms of the work. The study originally involved IBM workers and there have been criticisms at the sampling methods of the surveys used in the study. Many also point out that culture is incredibly complex and varied, even within countries, so that it is not appropriate to generalise about culture for an entire country. Another issue with the theory is that it presents culture as a static phenomenon while in reality culture changes over time.

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (critical thinking)

Another framework for thinking about national and organisational culture is to use two broad categories: tight and loose (<https://behavioralscientist.org/tight-and-loose-cultures-a-conversation-with-michele-gelfand>).

Tight cultures have very strong social norms; deviating from these norms is frowned upon by the group. Loose cultures have weaker social norms; it is more accepted to deviate from the norms.

- Consider Hofstede's six dimensions. Do they fit into the tight-loose framework? Discuss with a partner or the class.

Activity

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy)

Hofstede Insights, a culture consulting company for organisations, offers a country comparison tool (<https://www.hofstede-insights.com/country-comparison/>).

1. As a short activity, use the country comparison tool to find the country where you live, or a country with which you closely identify. Does the analysis of the country in terms of Hofstede's six dimensions make sense to you? Why or why not?
2. As a longer task, use the country comparison tool to identify two countries with very different cultural dimensions results. Briefly describe the results of each country and explain how the approach to **human resource management** might be different in each country, based on the national culture.
3. As a further longer task (to be completed while or after studying Unit 4, Marketing (</study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-37435>), use the country comparison tool to identify two countries with very different cultural dimensions results. Briefly describe the results of each country and explain how the approach to **marketing** might be different in each country, based on the national culture.