

## Part 2 | The Environment of International Business

# Chapter 3

# The Cultural Environment of International Business

**Learning Objectives** *After studying this chapter, you should be able to:*

- 3.1** Understand culture and cross-cultural risk.
- 3.2** Learn the dimensions of culture.
- 3.3** Describe the role of language and religion in culture.
- 3.4** Describe culture's effect in international business.
- 3.5** Learn models and explanations of culture.
- 3.6** Understand managerial implications of culture.

## *Hallyu* and the Rising Influence of the Korean Global Culture

Culture matters in international business. Some of the ways it intersects with business are immediately evident; others are less so. Diasporas are often the first to spread the customs of their countries of origin, often shaping the cities they exist in to a degree that far surpasses the size of their communities. In more recent times, the proliferation of expats (short for “expatriates,” meaning professionals living far from home for reasons of work) clearly display the importance of culture in the business environment.

Other kinds of cultural impact go in a different direction. Sometimes, it is not the flows of populations bringing with them their nation’s products to their new home or its values to the job market; it is the country itself that manufactures iconic products or exports cultural products of worldwide appeal, thereby branding itself at a global level. If the United States is the most obvious example of this, there are recent ones to have attracted

the world’s attention. South Korea and the phenomenon named *hallyu* offer a textbook case in this sense.

While the country is certainly a powerhouse in terms of GDP and export performance (especially when its geographic and demographic composition are taken into account), the size of its expat community and long-term diaspora is smaller in comparison to other, more established overseas communities. A quick look at the number of Koreans overseas—7.4 million in 2017, according to the South Korean Ministry of Foreign Affairs—will show that they are considerably less numerous than, say, the Chinese (about 9 million in Thailand alone).

Yet one cannot on this count underestimate the growing appeal of Korean culture on groups of youth across the world, in other Asian countries but also as far away as Europe and the Americas. There is a growing literature, both in academia and in the press, that analyzes South Korea’s so-called “soft power,” a concept



Source: Lee Jae-Won/Nippon News/Aflo Co. Ltd./Alamy Stock Photo

based on a debate about China's growing outreach in the 2000s. Soft power is an approach in international relations where a country uses its economic and cultural attractiveness instead of military power. And South Korea's soft power can be full of surprises.

*Hallyu* is a Chinese term that translates as "Korean Wave." It is a collective term that refers to fashion, films, music, cuisine, and an overarching "country image" that spread through Asia in the first decades of the 21st century. South Korean manufacturing led the way, with products that span from cars to electronics to home appliances. The Samsung Galaxy smartphones are probably the most famous, but car brands like Hyundai and Kia are increasingly popular. Food like kimchi-flavored pot noodles, Korean beers like Hite and Cass, and Korean BBQ restaurants can be found across the world.

But media and other artistic events are also very important, especially when it comes to spreading cultural values. K-pop (Korean pop music) is an example of a cultural product that exploded in popularity around the world, especially among younger listeners. Perhaps the most famous example is Psy's 2012 K-pop single "Gangnam Style"; though the song is specifically about the new generation of Seoul nouveaux-riches who live in Gangnam, with its

2 billion YouTube views, it has been a worldwide phenomenon. The country earning \$5 billion from its pop-culture exports—mainly K-Pop music, movies, and TV series—in 2013. It doubled that figure by 2017.

It has not always been like that. Up to 1985, one would be hard pressed to find the country setting any sort of worldwide trend. Music bands were censored by the government, all forms of protests were banned, and television shows were considered boring even at home. But the 1997 Asian crisis forced the country and its big conglomerates to reorganize to survive. Many of them profited from state subsidies and tax incentives and massively diversified their operations. Samsung was one of the first, moving into digital TVs and mobile phones. Without the upheaval provoked by the Asian Crisis, there would probably have been no *hallyu*.

Thanks to the government's strong support of this export of cultural values, South Korea has managed to surpass Japan to become Asia's biggest trendsetter in fashion and culture, from Hong Kong, with its profusion of Korean BBQ restaurants, to Manila, where viewers are such big fans of Korean dramas that they have even produced local remakes in Tagalog. One Korean drama, *Winter Sonata*, managed to reach countries as far

away as Iraq and Uzbekistan. When it comes to television programming, South Korea has something of an edge compared to other countries: being rather more conservative, South Korean cultural values have proved to be more adaptable than those of modern Japan and China, and are therefore easier to identify with. This may also account for K-pop's stronger global appeal over Japan's J-pop.

The triumph of *Hallyu* is illustrated by the fact that Japan, a country that was once regarded as the trendsetter of the region, is now studying the South Korean model and success strategy to the point of setting up a government-sponsored fund of \$500 million named "Cool Japan" to realize its own soft power.

### Questions

- 3-1.** The rise of South Korea has attracted a lot of attention over the last decade due to its unusual characteristics. What does make South Korea a special case?
- 3-2.** The success of Korean manufacturing created a favorable environment the world over for *hallyu*. What are, in your opinion, the most remarkable examples of Korean industries, and why?
- 3-3.** Inspired by the Korean model, Japan has started promoting a similar country campaign around the world named Cool Japan, targeting young people and emphasizing its culture. Why is this outcome surprising to many analysts?

**SOURCES:** Korean Ministry of Foreign Affairs, [http://www.mofa.go.kr/www/brd/m\\_3454/list.do](http://www.mofa.go.kr/www/brd/m_3454/list.do); *The Economist*, "Soap, Sparkle and Pop. How a Really Uncool Country Became the Tastemaker of Asia," August 14, 2014, <https://www.economist.com/books-and-arts/2014/08/09/soap-sparkle-and-pop>, retrieved December 5, 2018; Euny Hong, *The Birth of Korean Cool: How One Nation Is Conquering the World Through Pop Culture* (NY: Picador, 2014).

This case was written by Stefania Paladini, Birmingham City University.

The opening case highlights the opportunities of leveraging national cultures. In international business, success requires sensitivity to national interests and cultural expectations. The framework in Exhibit 3.1 identifies the essential concepts for understanding culture and its importance in international business. In this chapter, we will examine these concepts in detail.

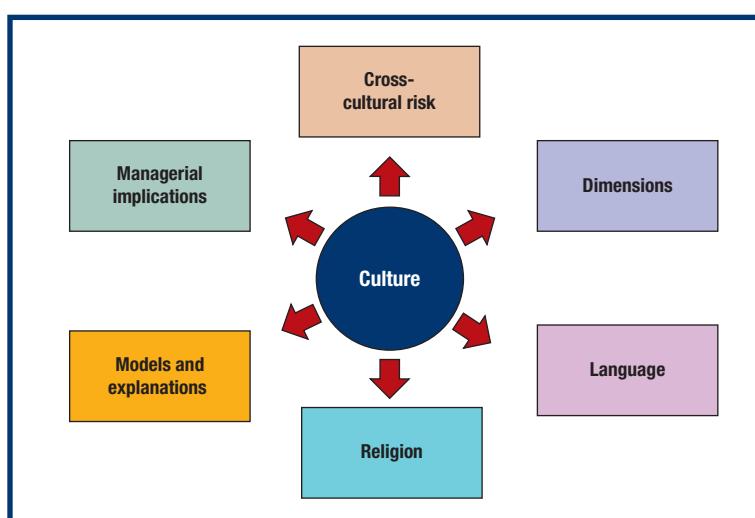
#### 3.1 Understand culture and cross-cultural risk.

##### Culture

The values, beliefs, customs, arts, and other products of human thought and work that characterize the people of a given society.

### Culture and Cross-Cultural Risk

As reflected in the opening case, **culture** refers to the values, beliefs, customs, arts, and other products of human thought and work that characterize the people of a given society. Culture shapes our behavior. Although as human beings we share many similarities, as groups of people



#### EXHIBIT 3.1

##### Framework on the Essential Elements of Culture

or societies, we exhibit many differences. Culture even affects the common rituals of daily life. Greeting ceremonies are a deeply embedded cultural marker and have evolved over many centuries. They specify such behaviors as whether to shake hands, what to say, and how far apart to stand. These cultural conventions may vary as a function of the age, gender, or status of the greefers. In China, friends express thoughtfulness by asking each other whether they have had their meal yet. In Turkey, a typical greeting is “What is new with you?” In Japan, elaborate greeting and parting rituals are the norm, and individuals routinely apologize to the other party just before ending a telephone conversation.

Culture captures how the members of the society live—for instance, how we feed, clothe, and shelter ourselves. Culture explains how we behave toward each other and with other groups. Culture defines our values and attitudes and the way we perceive the meaning of life.

Food is among the most interesting aspects of national culture. In Japan, pizza is often topped with fish and seaweed. In the United States, pizza can be piled high with meat. In France, it often comes with various cheeses. Look at Exhibit 3.2, which depicts numerous menu items at McDonald’s fast-food restaurants around the world. McDonald’s attempts to offer a relatively standardized menu worldwide but often varies offerings to suit tastes in individual countries. Many cultures are complex. As reflected in the opening case, some are relatively individualistic, whereas others are more collectivist. Some impose many norms and rules on social behavior; others are less imposing.<sup>1</sup>

Why should we concern ourselves with culture in cross-border business? The answer is that culture introduces new risks. Recall the four risks of international business we introduced in Chapter 1. We highlight these risks in Exhibit 3.3. **Cross-cultural risk** is a situation or event in which a cultural misunderstanding puts some human value at stake. Misunderstanding and miscommunication arise because people have differing values and expectations. They do not always communicate (verbally or nonverbally) what the other party is anticipating or may have diverse ways of communicating. For example, a head nod has different meanings in India and the United Kingdom. Cross-cultural misunderstandings can ruin business deals, hurt sales, or harm the corporate image. Today, developing an appreciation of and sensitivity for cultural differences is an imperative. Managers who are well informed about cross-cultural differences have advantages in managing employees, marketing products, and interaction with customers and business partners.

### Cross-cultural risk

A situation or event in which a cultural misunderstanding puts some human value at stake.

### EXHIBIT 3.2

#### McDonald's Menu Items Around the World

*Source:* sytnik/123rf

**Japan:**  
*Ebi Burger*—  
made of shrimp

**Canada:**  
*My Poutine*—French  
fries topped with  
gravy and cheese curds

**Morocco:**  
*Recette Moutarde*—  
burger in ciabatta bread,  
slathered in mustard

**Germany:**  
Beer is a  
beverage choice

**Hong Kong:**  
*Rice Burger*—  
two patties of  
sticky rice  
instead of buns



**Norway:**  
*McLaks*—  
sandwich made  
of grilled salmon  
and sour cream  
dill sauce

**Saudi Arabia:**  
*McArabia*—  
grilled beef with  
spices, lettuce,  
tomato, onion,  
garlic sauce, in  
a pita wrap

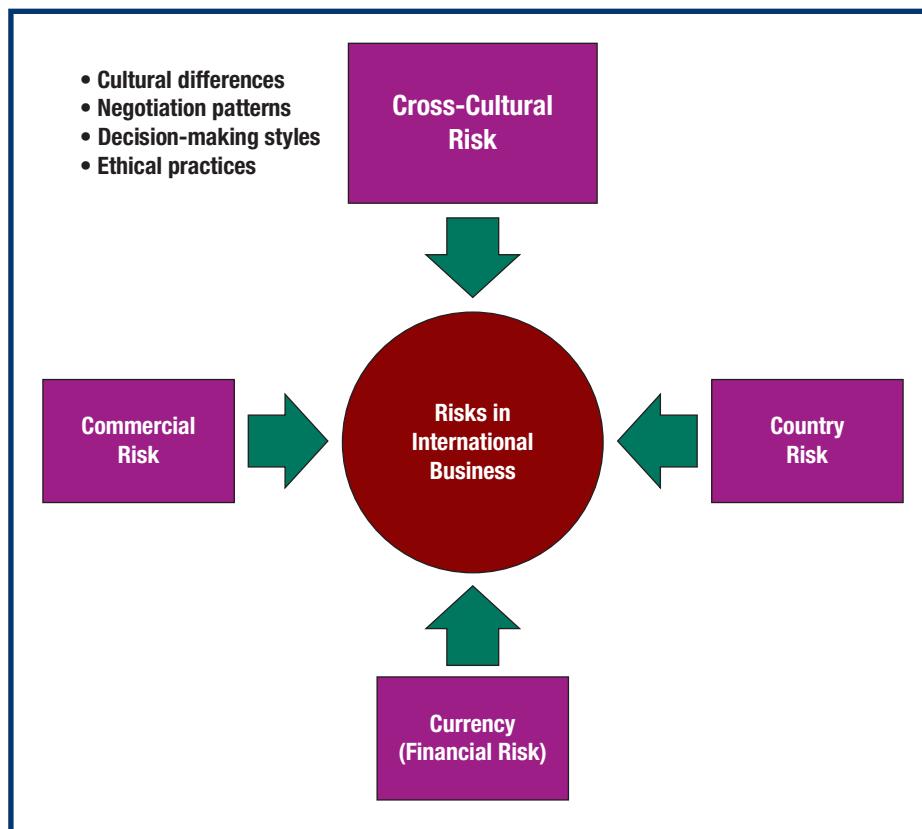
**Japan:**  
*McHotdog Mega  
Breakfast*—  
hotdog with  
scrambled eggs  
and ketchup

**France:**  
Wine is a menu  
favorite

**Philippines:**  
*McSpaghetti*—spaghetti  
noodles in a sweet  
tomato-based sauce

**India:**  
*Paneer Salsa Wrap*—cottage  
cheese wrap, cabbage, celery,  
with mayonnaise and salsa

**Malaysia:**  
*Bubur Ayam*—  
chicken porridge,  
a local favorite

**EXHIBIT 3.3****The Four Major Risks in International Business**

Source: Dinodia/123RF

This Indian farm family is wearing traditional attire.

Today, firms conduct business in environments characterized by unfamiliar languages as well as unique beliefs, norms, and behaviors. Managers need to be able to reconcile these differences to create profitable ventures. They must not only understand cultural differences—they must also develop international cultural competence.

### **What Culture Is Not**

Now that you have an idea of what culture is, let us define what it is *not*. Culture is:

- **Not right or wrong.** Culture is relative. People of different nationalities simply perceive the world differently. Each culture has its own notions of acceptable and unacceptable behavior. For example, in some Islamic cultures, a wife cannot divorce her husband. In many countries, nudity is entirely acceptable on TV. In Japan and Turkey, wearing shoes in the home is taboo.
- **Not about individual behavior.** Culture is about groups. It refers to a collective phenomenon of shared values and meanings. Thus, whereas culture defines the collective behavior of each society, individuals often behave differently.
- **Not inherited.** Culture comes from people's social environment. No one is born with a shared set of values and attitudes. Rather, children gradually acquire specific ways of thinking and behaving as they are raised in a society. In the United States, for example, children usually learn to value individualism. In China, children learn to depend on family members and acquire values based on Confucianism. Culture is passed from generation to generation by parents, teachers, mentors, peers, and leaders. Modern methods of communication, including the media, play an enormous role in transmitting culture.

## Socialization and Acculturation

This process of learning the rules and behavioral patterns appropriate to one's society is called **socialization**. Each society has rules—do's, don'ts, expectations, and preferences that guide behavior particularly of children as they mature.<sup>2</sup> In Indonesia, for example, children are socialized to value cooperation, group harmony, and emotional restraint. Children are taught to avoid conflicts with others. In France, young people are socialized to appreciate cooking, fine cuisine, and wine.<sup>3</sup> The rules of socialization may be explicitly stated—for example, “We don't do things that way around here”—or they may be implicit, that is, everyone is expected to know how to function at work, at school, with friends, and so forth. Breaking a rule amounts to a failure to conform. As each of us matures, failing to follow society's rules provides opportunities for learning what the rules are. Socialization is cultural learning and provides the means to acquire cultural understandings and orientations that a particular society shares. It is a subtle process; we often adapt our behavior unconsciously and unwittingly.

**Acculturation** is the process of adjusting and adapting to a culture other than one's own. It is commonly experienced by people who live in other countries for extended periods, such as expatriate workers. In many ways, acculturation is challenging because adults are often less flexible than children.<sup>4</sup>

## Dimensions of Culture

More than any other feature of human civilization, culture illustrates the differences among societies based on language, habits, customs, and modes of thought. Yet most of us are not completely aware of how culture affects our behavior until we encounter people from other cultures.

Anthropologists use the iceberg metaphor to call attention to the many dimensions of culture, some obvious and some not so obvious. Above the surface, certain characteristics are visible, but below, invisible to the observer, is a massive base of assumptions, attitudes, and values. These invisible characteristics strongly influence decision making, relationships, conflict, and other dimensions of international business. We are usually unaware of the nine-tenths of our cultural makeup that exists below the surface. In fact, we are often not aware of our own culture unless we meet another one. Exhibit 3.4 illustrates the *iceberg concept of culture*, using three layers of awareness: high culture, folk culture, and deep culture.

Culture emerges through the integration of our values and attitudes; manners and customs; time and space perceptions; symbolic, material, and creative expressions; education; social structure; language; and religion. Let's examine these in more detail.

## Values and Attitudes

*Values* represent a person's judgments about what is good or bad, acceptable or unacceptable, important or unimportant, and normal or abnormal.<sup>5</sup> Values are the basis for our motivation and behavior. Our values guide the development of our attitudes and preferences. They guide us in the decisions we make and in how we lead our lives. Typical values in North America and northern Europe include work, or output orientation; being on time; and the acquisition of wealth. People from such countries may misjudge those from, say, Latin America, who may not hold such values. *Attitudes* are similar to opinions but are often unconsciously held and may not be based on logical facts. Prejudices are rigidly held attitudes, usually unfavorable and usually aimed at particular groups of people.

## Manners and Customs

Manners and customs are ways of behaving and conducting oneself in public and business situations. Some countries are characterized by informal cultures; people treat each other as equals and work

### Socialization

The process of learning the rules and behavioral patterns appropriate for living in one's own society.

### Acculturation

The process of adjusting and adapting to a culture other than one's own.

**3.2** Learn the dimensions of culture.



Source: Dmitriy Shironosov/123rf

Cross-cultural meetings are increasingly common.

together cooperatively. In other countries, people tend to be more formal; status, power, and respect are relatively more important.

Although you may see more people around the world developing a taste for sushi and tacos, preferences for food, eating habits, and mealtimes are still varied. Customs that vary most worldwide relate to work hours and holidays, drinking and toasting, appropriate behavior at social gatherings, gift giving, and women in the workforce. Gift giving is complex in much of the world. In Japan, it is usually a mistake not to offer a gift in initial meetings. The Middle East is characterized by generous gift giving.

Handshaking varies across the world: limp handshakes, firm handshakes, elbow-grasping handshakes, and no handshake at all. In some parts of the world, people greet by kissing each other on both cheeks. In Southeast Asia, greeting involves placing the palms together in front of the chest, as in praying. In Japan, bowing is the norm.<sup>6</sup>

### Perceptions of Time

Time has a strong influence on business. It affects people's expectations about planning, scheduling, profit flows, and promptness in arriving for work and meetings. Japanese managers tend to prepare strategic plans for extended periods, such as a decade. The planning horizon for Western companies is much shorter, typically a few years. Some societies are more oriented to the past, others to the present, and still others to the future.

People in past-oriented cultures believe plans should be evaluated in terms of their fit with established traditions, customs, and wisdom. Innovation and change do not occur very often and are justified to the extent they fit with experience. Europeans are relatively past-oriented and prefer to conserve traditional ways of doing things.

Young countries such as Australia, Canada, and the United States are relatively focused on the present. They tend to have a **monochronic** orientation to time—a rigid orientation in which people are focused on schedules, punctuality, and time as a resource. They view time as *linear*, like a river flowing into the future, carrying workers from one activity to the next.

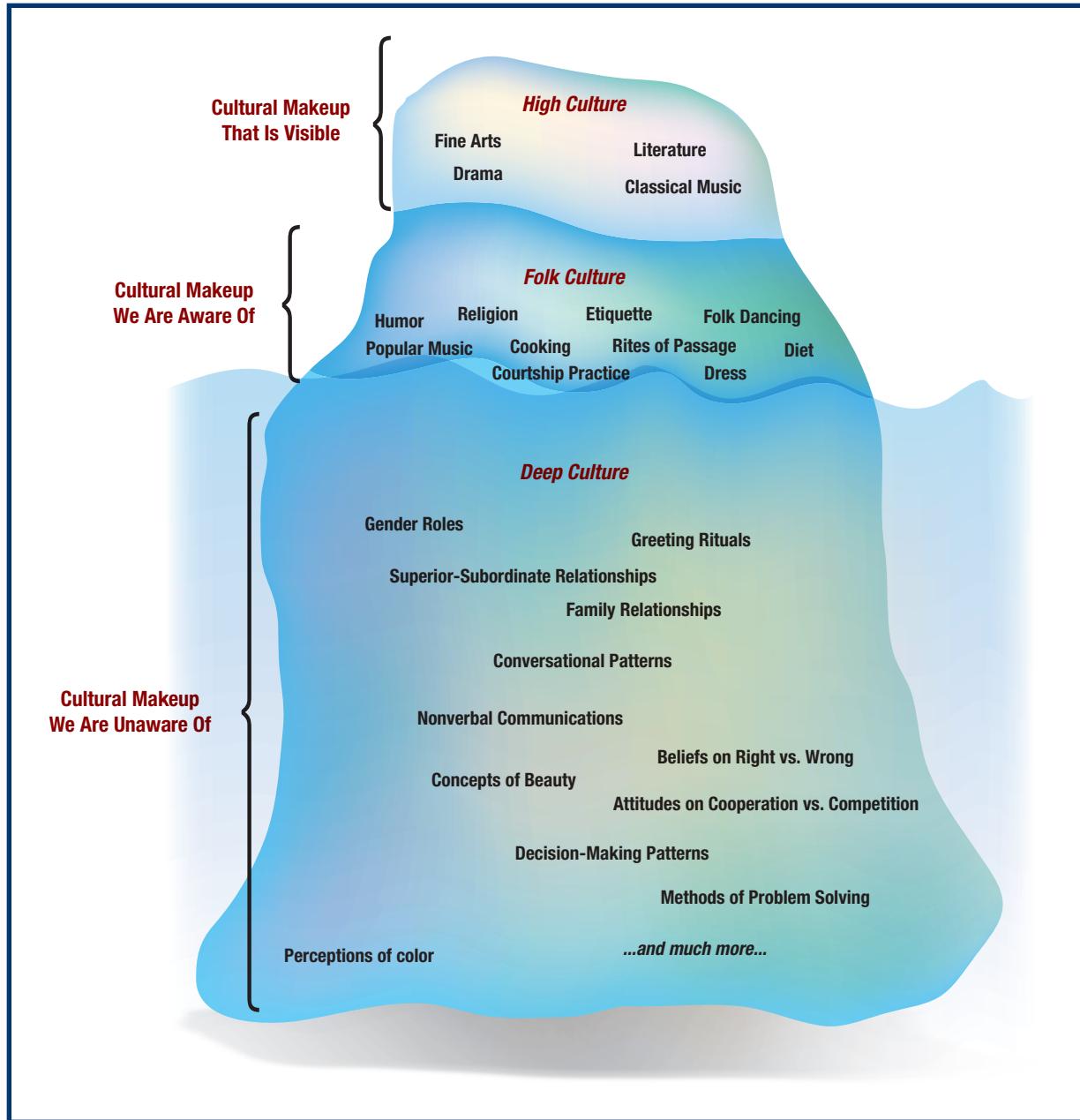
In such cultures, where people are highly focused on the clock, managers make commitments, set deadlines, and follow a strict schedule in meetings. Punctuality is a virtue, and time is money. Throughout the day, workers glance at their watches, their computer's clock, or the clock on the wall. Investors are impatient and want quick returns. Managers have a relatively short-term perspective when it comes to investments and making money. Company profitability is measured on a quarterly basis. In this way, people in the United States have acquired a reputation for being hurried and impatient. Indeed, the word *business* was originally spelled *busyness*.

Some cultures have a **polychronic** perspective on time. In such societies, instead of performing single tasks serially, people are inclined to do many things at once. In this way, members of polychronic cultures are easily distracted. They can change plans often and easily, and lengthy delays are sometimes needed before taking action. Punctuality per se is relatively unimportant, and managers consider time commitments flexible. They do not strictly follow the clock and schedules. They put more value on relationships and spending time with people.<sup>7</sup>

Chinese and Japanese firms typically are future-oriented. They focus not on how the firm will perform next quarter but on how it will perform a decade from now. Many large Japanese firms offer lifetime employment and invest heavily in employee training. They expect workers to remain with the firm for decades. Latin Americans have a flexible perception of time and may not arrive exactly at the predetermined time for appointments. In the Middle East, strict Muslims view destiny as the will of God ("Inshallah," or "God willing," is a frequently used phrase). They tend to downplay the importance of future planning. They perceive appointments as relatively vague future obligations.

### Perceptions of Space

Cultures also differ in their perceptions of physical space. We have our own sense of personal space and feel uncomfortable if others violate it. Conversational distance is closer in Latin America than in northern Europe or the United States. When a North American talks to a Latin American, he or she may unconsciously back up to maintain personal space. Those who live in crowded Japan or Belgium have smaller personal space requirements than those who live in land-rich Russia or the United States. In Japan, it is common for employee workspaces to be crowded together in the same room, desks pushed against each other. One large office space might contain desks for fifty employees. U.S. firms



partition individual workspaces and provide private offices for more important employees. In Islamic countries, close interaction between men and women is not encouraged in public places.

#### EXHIBIT 3.4 Culture as an Iceberg

### Symbolic Productions

A *symbol* can be letters, figures, colors, or other characters that communicate a meaning. For example, the cross is the main symbol of Christianity. The red star was the symbol of the former Soviet Union. National symbols include flags, anthems, seals, monuments, and historical myths. Symbols can represent nations, religions, or corporations, and they can help to unite people. Mathematicians and scientists use symbols as their language. Businesses have many types of symbols, in the form of trademarks, logos, and brands. Think how easy it is to identify popular company logos such as Tesla's T-shaped badge, Apple's apple, and Cadbury's unique lettering.

Colors carry diverse meanings in different cultures, as summarized in Exhibit 3.5. Color meanings in each country are based on spiritual, social, cultural, historic and political influences. Black is frequently associated with death in Western culture, but white is associated with death

**EXHIBIT 3.5****The Meaning of Colors Around the World**

Sources: Xiao-Ping Gao and John H. Xin, "Investigation of human's emotional responses on colors," *Color Research and Application*, 31, No. 5 (2006), pp. 411–417; John Gage, *Color and Culture: Practice and Meaning from Antiquity to Abstraction* (Oakland, CA: University of California Press, 1999); Mabel Weaver, *Color Symbolism* (Amazon Digital Services, 2014, www.amazon.com).

	Europe and North America	China	Japan	Middle East
Red	Danger, stop, anger, love, passion	Good luck, joy, celebration, long life	Celebration, danger, anger	Danger, anger, evil
White	Purity, peace, brides	Mourning, death, humility	Mourning, death, purity	Mourning, death, purity
Black	Death, evil, mourning	Evil, color for young boys	Evil	Evil
Green	Money, safety, luck, prosperity	Youth, growth, adultery	Life, energy, freshness, youth	Strength, luck, fertility
Blue	Sadness, calm, trust, masculinity	Strength, power, immortality	Purity, cleanliness	Protective

in much of Asia. Red is often associated with danger in the United States but signifies happiness and celebration in China. Red is the traditional bridal color in China, but white is the more traditional bridal color in Western culture. Blue is a safe color choice with many positive associations. In Europe and North America, blue represents trust and security and is considered soothing and peaceful. Elsewhere, blue symbolizes love, healing, and good health. In Western cultures, green represents luck, freshness, and environmental awareness. In some Eastern cultures, green symbolizes youth and new life. Purple is often associated with royalty, wealth, honor, and spirituality. In Brazil and Thailand, purple is the color of mourning.

Colors are important and powerful communication tools that express emotions and feelings. Colors are one of the most influential factors that affect perceptions in branding and advertising. Companies must choose color schemes carefully when developing product features, advertising, packaging, and marketing programs. When buyers encounter a product for the first time, the perception of the product is significantly influenced by its color.<sup>8</sup>

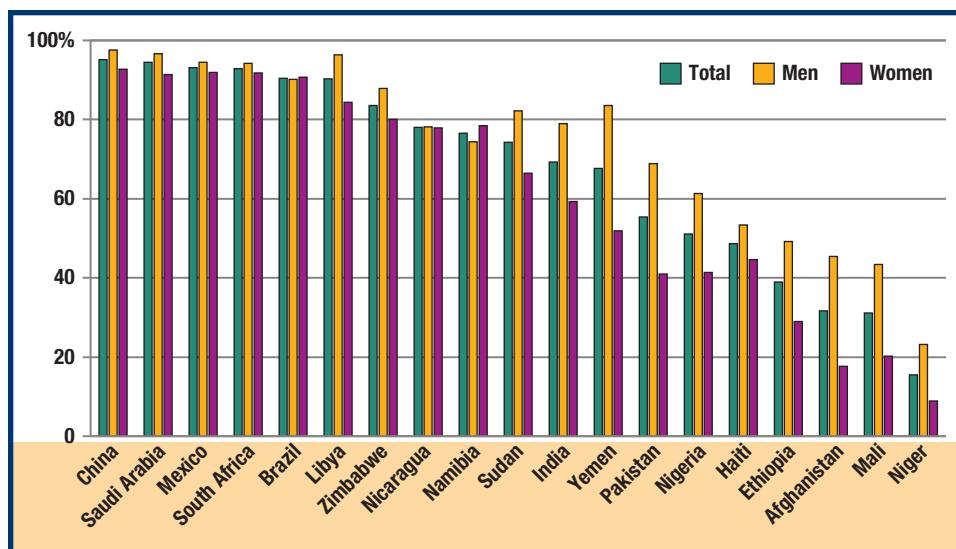
### Material Productions and Creative Expressions

*Material productions* are artifacts, objects, and technological systems that people construct to function within their environments. They are integral to human life and provide the means to accomplish objectives as well as communicate and conduct exchanges within and between societies. The most important technology-based material productions are the infrastructures that supply energy, transportation, and communications. Others include social infrastructure (systems that provide housing, education, and health care), financial infrastructure (systems for managing means of exchange in banks and other financial institutions), and marketing infrastructure (systems that support marketing-related activities such as ad agencies). Creative expressions of culture include arts, folklore, music, dance, theater, and high cuisine. Education is an especially important system that emerges within cultures.

### Education

Cultural values, ideas, beliefs, traditions, and attitudes are passed from one generation to the next through education. Education takes place in many ways, especially through lessons and behavior acquired from parents, family, and peers; participation in groups (social, business, and religious); and formal schooling. In most countries, academic education usually occurs through schooling. Available talent and skill base of a region or country influences where corporations will locate international ventures such as factories or call centers. Better-educated locations tend to attract higher paying and higher skilled positions such as outsourced call centers and accounting functions. Literacy, the ability to read, is an important indicator of education level and varies substantially around the world. Exhibit 3.6 shows literacy rates in selected countries.

The literacy rate is higher for men than for women in many developing economies. This arises for various reasons, often related to culture, religion, nation-level conflicts, and socioeconomic factors. In the African country of Sudan, for example, 82 percent of men are literate compared to 66 percent of women. This disparity results partly because Sudan is a male-dominated



## EXHIBIT 3.6

### Literacy Rates by Gender in Selected Countries (percent of those who can read)

Sources: Central Intelligence Agency, *The World Factbook 2018* (Washington, DC: Central Intelligence Agency, 2018); United Nations, UNICEF Global Databases, 2017, <http://data.unicef.org>; UNESCO, *Effective Literacy and Numeracy Practices Database (LitBase)*, <http://litbase.uil.unesco.org/>, accessed January 5, 2018.

society in which women tend to take on subordinate roles and have limited opportunities to attend school. Women are expected to bear and raise children and perform domestic chores in the home. Educational opportunities in Sudan also have been hindered by war and ethnic strife. In Namibia, another African country, the literacy rate is higher for women than for men, at 78 and 74 percent, respectively. This has resulted partly from government efforts such as the National Literacy Programme to increase citizens' literacy and communications skills. Programs often target Namibian women, while men concentrate on traditional labor-intensive jobs such as fishing, mining, and agriculture.<sup>9</sup>

### Social Structure

Social structure refers to the pattern of social arrangements and organized relationships that characterize a society. It refers to how a society is organized in terms of individuals, families, groups, and socioeconomic strata. All cultures have a social structure that influences our status or class in society. Understanding the social structure of international employees, clients, and suppliers is vital for avoiding cultural misunderstandings and optimizing business transactions.

*Individuals.* Because Western cultures emphasize individualism and individual success, social status often is determined by individual performance. This helps explain the high degree of worker mobility and entrepreneurial activity typical in Western societies. Excessive individualism, however, can reduce the effectiveness of teams, particularly in collectivist cultures typical of Asia.

*Family.* In many cultures, immediate and extended family holds particular importance in the nation's social structure. In such cultures, the family often plays a substantial role in the formation and structure of business activities. In China, for example, family-owned and family-run businesses are relatively common, and ownership often passes on to successive generations.

*Reference groups.* In some societies, people's social status is defined by group or employer affiliation rather than by individual performance. When meeting business people in Tokyo, for instance, they typically will identify themselves in terms of the companies where they work rather than by their function or job title at that firm. In Japanese firms, objectives and strategies are typically decided by groups rather than by individual managers.

*Social stratification.* In most cultures, individuals are classified within classes or social layers depending on their occupation, income level, or family history. However, societies differ in the importance they place on social strata and on the ease with which people can advance to higher strata. In most countries, senior business and government leaders typically occupy the highest social strata. The middle strata usually consist of business managers and medical or scientific professionals. Those in the lowest strata typically work in manual labor, basic services such as retailing, or lower-level administrative positions.

*Social mobility.* Social mobility refers to the ease with which a person can move up within social strata. The most rigid type of social mobility operates in a *caste system* in countries such as India. In a caste system, a person's social status is determined by birth, and he or she has little opportunity for social mobility. Individuals are often restricted to working in a specific occupation, such as a farmer or factory worker, depending on the caste they were born into. Understanding social norms in caste system countries is necessary to successfully manage employees who work at different levels of the social strata. Advanced economies are characterized by the *class system*, a more flexible form of social stratification within which people usually have greater mobility to move to higher strata and change their social status. Social mobility in caste and class systems alike influences people's attitude toward work, entrepreneurship, and labor relations.

- 3.3 Describe the role of language and religion in culture.

## Role of Language and Religion in Culture

Language and religion are among the most important manifestations of culture. Often described as the expression or *mirror* of culture, verbal language is not only essential for communications, it also provides insights into culture. It's a major differentiator between cultural groups and castes and provides an essential means for business leaders to communicate effectively with employees, suppliers, and customers. Language can be classified as verbal and nonverbal.

### Verbal Language

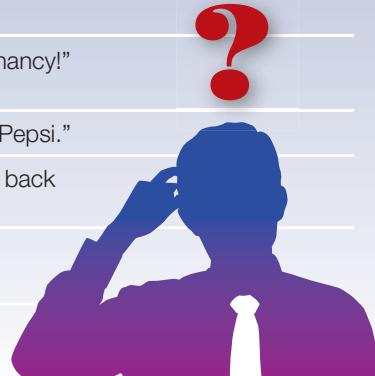
The world has approximately 7,000 active languages, including more than 2,000 in each of Africa and Asia. Most of these languages have only a few thousand speakers.<sup>10</sup> Just 23 languages are spoken by half the world's population. Exhibit 3.7 displays the world's most spoken languages.

### EXHIBIT 3.7

#### The Most Common Primary Languages in the World

Sources: Gary Simon and Charles Fennig (eds.), *Ethnologue: Languages of the World*, 20th ed., 2017, [www.ethnologue.com](http://www.ethnologue.com); Central Intelligence Agency, *CIA World Factbook*, 2017, [www.cia.gov](http://www.cia.gov).

World Rank	Language	Approximate Number of Native Speakers (Millions)	Countries with Substantial Number of Native Speakers
1	Mandarin Chinese	900	China, Singapore
2	Spanish	435	Argentina, Mexico, Spain
3	English	370	Australia, Canada, United Kingdom, United States
4	Arabic	290	Egypt, Saudi Arabia, United Arab Emirates
5	Hindi	260	India, Pakistan
6	Bengali	240	Bangladesh, India
7	Portuguese	220	Brazil, Portugal
8	Russian	150	Russia, Kazakhstan, Ukraine
9	Japanese	130	Japan
10	Punjabi	90	Pakistan, India
11	Javanese	84	Indonesia
12	Wu Chinese	80	China
13	Korean	77	South Korea, North Korea
14	German	77	Germany, Austria
15	French	76	France, Ivory Coast, Gabon, Canada



Company and Location	Intended Ad Slogan	Literal Translation
Parker Pen Company in Latin America	"Use Parker Pen, avoid embarrassment!"	"Use Parker Pen, avoid pregnancy!"
Pepsi in Germany	"Come Alive with Pepsi"	"Come out of the grave with Pepsi."
Pepsi in Taiwan	"Come Alive with Pepsi"	"Pepsi brings your ancestors back from the dead."
Fisher Body (car exteriors) in Belgium	"Body by Fisher"	"Corpse by Fisher"
Salem cigarettes in Japan	"Salem—Feeling Free"	"Smoking Salem makes your mind feel free and empty."

**EXHIBIT 3.8**  
**Blunders in International Advertising**

National languages, dialects, and translation tend to complicate verbal communication. It is sometimes difficult to find words to convey the same meaning in a different language. For example, a one-word equivalent to *aftertaste* does not exist in many languages. Even when a word can be translated well into other languages, its concept and meaning may not be universal. For example, the Japanese word *muzukashii* can be variously translated as “difficult,” “delicate,” or “I don’t want to discuss it,” but in business negotiations, it usually means “out of the question.” Advertising themes often lose their original meaning in translation or give the wrong impression.

Exhibit 3.8 shows how the popular slogans of some languages translate into unintended phrases in other languages. Pepsi’s mistranslation in Taiwan is an example. Taiwanese people knew Pepsi could not bring their ancestors back from the grave, but many were surprised at Pepsi’s apparent carelessness in rendering a poor translation. Even people from different countries who speak the same language may experience communication problems because some words are unique to a particular language. Exhibit 3.9 shows how two English-speaking countries interpret the same word in very different ways and how misinterpretations can hamper intended meaning.<sup>11</sup>

Sometimes business jargon—vocabulary unique to a particular country—can cause communication problems. Examples of English jargon that puzzle nonnative speakers include “the bottom line,” “to beat around the bush,” “shooting from the hip,” “feather in your cap,” and “get down to brass tacks.” Imagine the difficulty that professional interpreters encounter in translating such phrases!

An **idiom** is an expression whose symbolic meaning is different from its actual or literal meaning. It is a phrase you cannot understand by knowing only what the individual words in the phrase mean. For example, to “roll out the red carpet” is to welcome a guest extravagantly—no red carpet is actually used. The phrase is misunderstood when interpreted in a literal way. In Spanish, the idiom “no está el horno para bolos” literally means “the oven isn’t ready for bread rolls,” but the phrase is understood as “the time isn’t right.” In Japanese, the phrase “uma ga au” literally means “our horses meet,” but the everyday meaning is “we get along with each other.”

**Idiom**

An expression whose symbolic meaning is different from its literal meaning.

Word	Meaning in U.S. English	Meaning in British English
Scheme	A somewhat devious plan	A plan
Redundant	Repetitive	Fired or laid off
Sharp	Smart	Conniving, unethical
To table	To put as issue on hold	To take up an issue
To bomb	To fail miserably	To succeed grandly
Windscreen	A screen that protects against wind	Automobile windshield

**EXHIBIT 3.9**  
**Differences in Meaning Between American and British English**

Idioms exist in virtually every culture, and people often use them as a short way to express a larger concept. Managers should study national idioms to gain a better understanding of cultural values. Exhibit 3.10 offers several expressions that reveal cultural traits of different societies.

### Nonverbal Communication

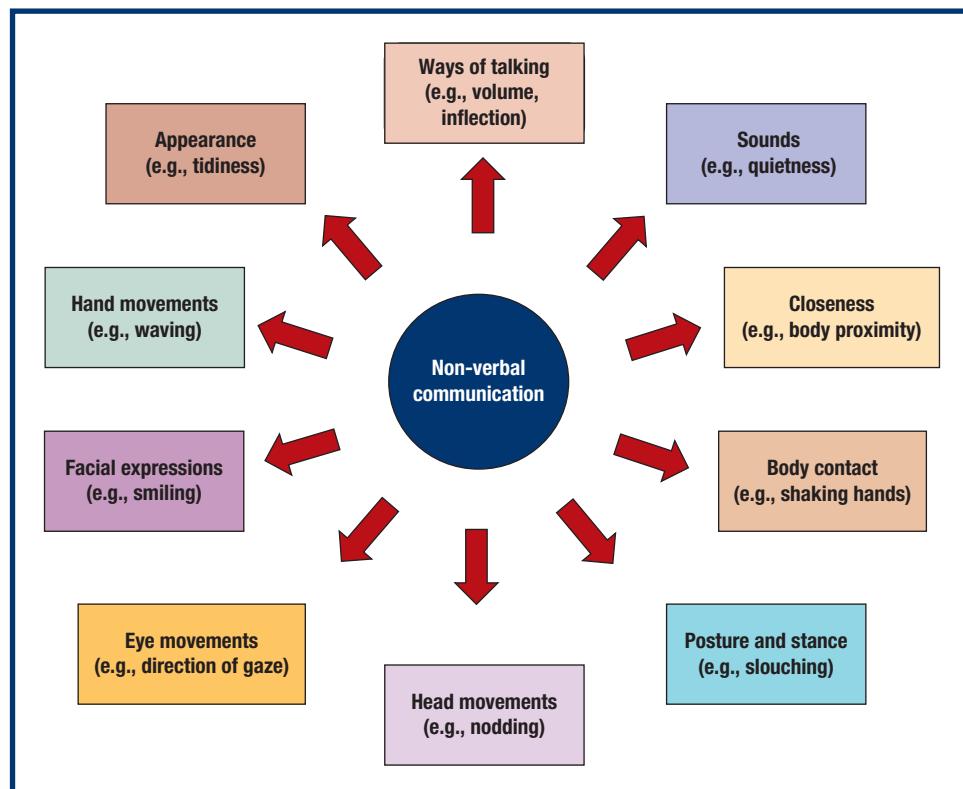
Nonverbal communication is unspoken and includes facial expressions and gestures.<sup>12</sup> In fact, nonverbal messages accompany most verbal ones. These include facial expressions, body movements, eye contact, physical distance, posture, and other nonverbal signals. Exhibit 3.11 lists several types of nonverbal communication.

Nonverbal communications frequently can lead to confusion and misunderstandings because of cultural differences. Certain facial expressions and hand gestures have different meanings in different cultures, and a lack of awareness of the meanings of these gestures in the local culture can lead to negative consequences. For example, standing side by side with someone can

**EXHIBIT 3.10**  
**Idioms That Symbolize Cultural Values**

Country	Expression	Underlying Value
Japan	“The nail that sticks out gets hammered down.”	Group conformity
Australia and New Zealand	“The tall poppy gets cut down.” (Criticism of a person who is perceived as presumptuous, attention-seeking, or without merit.)	Egalitarianism
Sweden and other Scandinavian countries	“Janteloven” or “Jante Law.” “Don’t think you’re anyone special or that you’re better than us.”	Modesty
Korea	“A tiger dies leaving its leather, a man dies leaving his name.”	Honor
Turkey	“Steel that works does not rust.”	Hard work
United States	“Necessity is the mother of invention.”	Resourcefulness
Thailand	“If you follow older people, dogs won’t bite you.”	Wisdom

**EXHIBIT 3.11**  
**Nonverbal Communication**



indicate cooperation, whereas a face-to-face posture might indicate competition or opposition. Touching tends to indicate levels of intimacy, from shaking hands to patting the back to hugging.

## Religion

Religion is a system of common beliefs or attitudes concerning a being or a system of thought that people consider sacred, divine, or the highest truth and includes the moral codes, values, institutions, traditions, and rituals associated with this system. Religious concepts of right and wrong have played a key role in the development of ethical values and social responsibility. Almost every culture is underpinned by religious beliefs.<sup>13</sup> Religion influences culture and, therefore, managerial and customer behavior in many ways. Exhibit 3.12 shows the dominant religions worldwide but only the most common religion in each location; most countries are home to people of various faiths.

Although there are thousands of distinct faith groups worldwide, four major religions dominate: *Christianity* with roughly 2 billion adherents, *Islam* with about 1.5 billion followers, and *Hinduism* and *Buddhism*, each with about 1 billion adherents. Other belief systems include *Confucianism* and *Judaism*.

Religion appears to have a positive effect on economic activity.<sup>14</sup> Religious affiliations help create bonds of trust and shared commitment, which facilitate lending and trade. Furthermore, religion can boost GDP in a country by reducing corruption and increasing respect for law and order. Religion that promotes moral values should help foster successful economic systems. Conversely, a lack of ethical values tends to coincide with economic decay; a lawless society cannot sustain normal business activities for long. It is noteworthy, however, that some societies with strong religious values—for example, many Middle Eastern countries and their embrace of Islam or southern Africa and its many Christian devotees—have not produced high living standards for their citizens. This implies religion alone is insufficient to support economic development. Other factors, such as strong private property rights, political and economic freedom, and an entrepreneurial spirit, are also important. Let's review each of the four major religions.

**CHRISTIANITY.** Followers of Jesus Christ, Christians are concentrated in the Americas, Europe, Australia, South Korea, and southern Africa. Christianity is divided into three major groups: Catholic, Protestant, and Eastern Orthodox. Catholics account for more than half of all Christians; Protestants encompass numerous denominations, including Baptists and Methodists; and Eastern Orthodox Christianity is practiced mainly in Greece and Russia.

Although the number of adherents has declined over time, particularly in Europe and North America, the cultural effects of Christianity have largely endured. For one, Sunday is still regarded as a day of rest when most people do not work. German sociologist Max Weber and other scholars have suggested a relationship between Protestantism and capitalism. Protestantism long emphasized individual effort, orderliness, and hard work to achieve worldly success and as a duty that benefits both the individual and society. As a revolutionary movement that broke with the Catholic Church, Protestantism also long emphasized religious freedom and independent thinking. Such views are consistent with the political and economic freedoms that encouraged the rise of capitalism in the advanced economies, especially in Northern Europe and North America. Eventually, capitalism's accumulation of wealth came to be viewed as an outward symbol of the individual's hard and God-given work during his or her earthly life.<sup>15</sup> The Catholic notion of "good works" also contributes to arduous work and economic development, especially when adherents believe their labor contributes to a greater good.

**ISLAM.** Islam is based on the *Qur'an*, the religion's holy book, which Muslims believe was revealed by God to the prophet Muhammed in the seventh century. Most Muslims belong to one of two denominations: Sunni and Shia. Although most Muslims live in the Middle East, North Africa, and South Asia, the most populous Muslim country is Indonesia. Adherents engage in daily ritual prayers and fasting during the month of Ramadan. The *Qur'an* strongly encourages charitable giving. Strict Muslims believe the purpose of life is to worship God (known as Allah). In most Middle East countries, Islam is the basis for government and legal systems as well as the social and cultural order; however, globalization has exposed the Islamic world to outside cultural influences. Strict Islamists tend to view Western ideals as a threat to their values, whereas liberal Muslims seek to reconcile religious tradition with Western values and secular governance. Muslim immigrants have established communities in Europe and the United States, importing values and customs rooted in Islamic faith.



Sharia, the Islamic law based on the *Qur'an*, influences the legal code to varying degrees in Muslim countries. Its influence in secular states such as Turkey is much less than in orthodox Islamic countries such as Saudi Arabia. Sharia law covers all aspects of daily life, economic activity, and public governance. Non-secular societies do not distinguish between church and state. Family is at the center of Muslim life, and Islam specifies obligations and legal rights of family members.

Islam encourages free trade through rules that prohibit restraints on market-based exchange such as monopolies and price fixing. Islam encourages the free flow of information that facilitates



efficient demand and supply. The *Qur'an* condemns charging interest for money loaned. Thus, banks in Islamic countries have devised methods for financing debt without violating Sharia law.

The *Qur'an* prohibits drinking alcohol, gambling, and showing too much skin. These restrictions affect firms that deal in alcoholic beverages, resorts, entertainment, and women's clothing. Many multinational firms are reaching out to Muslim communities. Nokia launched a mobile phone application that shows Muslims the direction toward Mecca, Islam's holiest site, when they pray. Heineken, the Dutch brewing giant, rolled out the nonalcoholic malt drink *Fayrouz* for the Islamic market. In general, MNEs are allowed to operate as long as they abide by Sharia law, do not exploit people, and earn profits fairly.<sup>16</sup>

**HINDUISM.** A unique faith practiced in South Asia, especially India, Hinduism emerged from various ancient traditions. Unlike Christianity and Islam, Hinduism is not connected to any one prophet and lacks a unified belief system. To its adherents, it is a traditional way of life and an

### EXHIBIT 3.12

#### World Religions

Sources: Based on Godweb, 2018, [www.godweb.org/religionsofworld.htm](http://www.godweb.org/religionsofworld.htm) and World Religion Map, 2018, [https://worldmap.harvard.edu/data/geonode:wrld\\_province\\_religion\\_qg0](https://worldmap.harvard.edu/data/geonode:wrld_province_religion_qg0).

open-hearted faith that fully accepts other faiths. *Dharma* is a central concept that encourages behavior that is just and harmonious and promotes joyful living. Hindus believe in reincarnation, a cycle of birth, life, death, and rebirth. The nature of actions taken during one's lifetime, *karma*, determines future destiny. In this life and the next, evil actions lead to future suffering; good deeds bring about *nirvana* (paradise). Hindus believe that kindness in action fosters a better world. The religion values spiritual rather than material achievements.

Karma implies that people are born into a social level, or *caste*, through their good or bad deeds in earlier lives. Critics argue that the caste system promotes slower economic growth because it hinders advancement from one social level to another in organizational settings;<sup>17</sup> thus company advancement can be based on a person's social level rather than on merit or potential. Ambition is dampened if followers believe they are destined to remain at a particular level at work. The caste system can also promote disharmony because followers may discriminate against employees whom they perceive to fit different social levels. In Hofstede's typology, India is characterized by high power distance because a sharp distinction is often drawn between upper and lower caste workers.

Hinduism's focus on spiritual enlightenment and selfless working for the greater good of society can influence the conduct of business. A devotion to positive karma and ascetic lifestyle are potentially at odds with the relatively materialistic pursuits of business.<sup>18</sup> However, some argue that business performance can be enhanced by embracing Hinduism's teachings in areas such as self-control, discipline, and devotion to duty.<sup>19</sup>

**BUDDHISM.** Buddhism is a belief system that encompasses various traditions and practices and is based on the teachings of the prophet Buddha. It is common in Asia, especially China and Japan. Buddhists subscribe to Four Noble Truths: Life is beset by suffering and pain; desire and greed are the root of all human suffering; personal suffering can be reduced by controlling desire and greed; and the way to end suffering is through righteous living, which includes good conduct, wisdom, and mental development.

Buddhism promotes harmony to achieve inner happiness and peaceful relations with others. In this way, it supports harmony and stability in commercial relations. Buddhism also encourages cooperation and tolerance for others, which are good for business. It is permissible in Buddhism to pray for security and good fortune. In this way, followers are comfortable with acquiring wealth as long as it is done with patience and harmony. Buddhism promotes a life centered on spiritual rather than worldly matters. Accordingly, it is seen to support ethical and responsible behavior in business. However, as in Hinduism, Buddhism's focus on spirituality and moderation might restrain entrepreneurial action.

**CONFUCIANISM.** Confucianism is a way of life taught by the philosopher Confucius, who lived about 2,500 years ago in present-day China. More a philosophy than a religion, Confucianism does not prescribe any specific rituals or practices. The main belief system of the Chinese people, it has influenced culture in China and other parts of Asia, especially Korea, Japan, and Vietnam, for thousands of years. Although East Asians profess various faiths, especially Shintoism, Taoism, and Buddhism, most also embrace some aspects of Confucianism.

Confucianism has an optimistic view of human nature and a strong emphasis on ethical behavior. Adherents believe that people are teachable, improvable, and perfectible through personal and communal efforts that emphasize learning and self-renewal. They believe it is best to behave with fairness, humanity, and charity toward others. *Ren* is a Confucian virtue that refers to doing honorable deeds and being kind to others. Other important qualities include loyalty, social harmony, and respect for one's parents and ancestors.

**JUDAISM.** Judaism was founded more than 3,000 years ago in the Middle East. Today the world's 14 million Jews primarily reside in Israel, Europe, and North America. Many migrated around the world in the wake of persecution or the pursuit of business opportunities.<sup>20</sup> Judaism strongly influenced early Christianity and Islam. Jews believe in one God and that God is concerned with the actions of humankind. Jews attempt to conduct themselves accordingly. Strict adherents aim to apply their faith in every aspect of their lives.

The Jewish attitude toward business is positive, and much business conduct is rooted in Jewish law, which prohibits dishonest behavior. The accumulation of wealth is acceptable and even encouraged. Simultaneously, Jews are expected to be generous and charitable. Businesses should operate responsibly, emphasizing ethics and fair play beyond that required by local law.

## Culture's Effect in International Business

Culture can differ sharply, even between neighboring countries. Exhibit 3.13 examines cultural differences between Mexico and the United States. Effective handling of the cross-cultural interface is a critical source of firms' competitive advantage. Managers not only need to develop empathy and tolerance toward cultural differences but also must acquire a sufficient degree of factual knowledge about the beliefs and values of foreign counterparts. Cross-cultural proficiency is paramount in many managerial tasks, including:

- Managing employees
- Communicating and interacting with foreign business partners
- Negotiating and structuring international business ventures
- Developing products and services
- Preparing advertising and promotional materials

**3.4** Describe culture's effect in international business.

DIMENSION	MEXICO	UNITED STATES
Role of context	High-context culture that values social trust, personal goodwill, and ritualized business	Low-context culture that emphasizes efficiency, explicit communications, and “getting down to business”
Individualism versus collectivism	Relatively group oriented. Extended families, teamwork, and group loyalty are valued.	Relatively individualistic. Emphasis on personal freedom and working alone. Group loyalty is less valued.
Time orientation	Fluid and polychronic. Long-term relationships are valued. Mexicans emphasize the past and believe they have little control over the future.	Rigid and monochronic. Business is short-term oriented and values profit above all else. Americans believe they can control the future.
Space perceptions	Conversational distance is close. Personal space is less valued.	Conversational distance is ample. Personal space is highly valued.
Religion	Christianity is influential in daily life and often in business.	Americans' religious orientation is diverse and declining.
Language	Spanish dominates with little linguistic diversity.	While English dominates, there is much linguistic diversity.
Negotiations	Tend to progress slowly. Decisions take time. Legalism is avoided in agreements.	Emphasis on efficiency and quick decision making. Agreements are often legalistic.
Business relations	Relationship-oriented. Mexicans are easygoing, valuing personal bonds.	Deal-oriented. Business performance takes precedence over relationships.
Business meetings	Arriving late is acceptable. Meetings are informal and usually don't follow a strict agenda.	Americans are time-oriented, arriving promptly to meetings, which often follow a formal agenda.
Superior–subordinate relations	Firms are hierarchical, with much power distance. Senior managers are relatively authoritarian.	Lower power distance. Firms are “flatter” with less hierarchy. Relations with superiors are informal and easygoing.
Style of dress in business	Conservative, emphasizing dark suits. High-status personnel are expected to dress the part.	Business casual is widely accepted. “Dressing the part” is less important.

### EXHIBIT 3.13 Perceived Cultural Attributes of Mexico and the United States

Sources: Based on Geert Hofstede, *Culture's Consequences* (Beverly Hills, CA: Sage, 1980); Boye De Mente, *The Mexican Mind* (Beverly Hills, CA: Phoenix Books, 2011); Lucila Ortiz, *A Primer for Spanish Language, Culture and Economics* (Bloomington, IN: Xlibris, 2011); Russell Maddicks, *Mexico—Culture Smart!: The Essential Guide to Customs & Culture* (London: Kuperard, 2017).

- Preparing for international trade fairs and exhibitions
- Screening and selecting foreign distributors and other partners
- Interacting with current and potential customers from abroad

Let's consider specific examples of how cross-cultural differences may complicate company activities.

*Developing products and services.* Cultural differences necessitate adapting marketing activities to suit the specific needs of target markets. Johnson & Johnson developed different varieties of its mouthwash, Listerine, for foreign markets. For instance, it created alcohol-free Listerine Zero for Muslim countries where spirits are forbidden. For Asian markets, it launched Green Tea Listerine. In Europe, consumers want their mouthwash to solve more complex problems than just bad breath, so the firm developed an advanced gum treatment rinse.<sup>21</sup>

*Providing services.* Firms that engage in services such as lodging and retailing substantially interact with customers, implying greater cultural interaction and the potential for cognitive and communication gaps. Imagine a Western lawyer who tries to establish a law office in China or a Western restaurant chain operating in Russia. Both firms will encounter substantial cultural challenges. Differences in language and national character have the same effect as trade barriers.<sup>22</sup>

*Organizational structure.* Some companies prefer to delegate authority to country managers, which results in a decentralized organizational structure. Other firms have centralized structures, in which power is concentrated at regional or corporate headquarters. Firms may be bureaucratic or entrepreneurial. How do you deal with a bureaucratic partner or manage distantly located, decentralized subsidiaries?

*Teamwork.* Cooperating with partners and host-country nationals to achieve common organizational goals is critical to business success. But what should managers do if foreign and domestic nationals don't get along? The Chinese home appliance manufacturer Haier ([www.haier.com](http://www.haier.com)) delayed acquiring overseas firms because management felt it lacked the ability to manage foreign nationals and integrate differing cultural systems.

*Pay-for-performance system.* In some countries, merit is not the main basis for promoting employees. In China and Japan, a person's age is the most important determinant, but how do such workers perform when Western firms evaluate them using performance-based measures?

*Lifetime employment.* In some Asian countries, firms are very protective of their employees, who may work for the same company all their lives. The expectations that arise from such devoted relationships can complicate dealings with outside firms. Western managers may struggle to motivate employees who expect they will always have the same job.

*Union-management relationships.* In Germany, union bosses hold the same status as top-level managers and can sit on corporate boards. Many European firms have a business culture in which workers are relatively equal to managers. This approach can reduce the flexibility of company operations because it makes it harder to lay off workers.

*Attitudes toward ambiguity.* In some countries, people have a hard time tolerating *ambiguity*, which refers to situations in which information can be understood in more than one way. For example, some bosses give exact and detailed instructions, whereas others give vague and incomplete instructions. If you're not comfortable working with minimum guidance or taking independent action, you may not fit well into some cultures.

*Negotiations.* Negotiations arise in virtually all aspects of business, as when the firm takes on a partner or a supplier-buyer relationship. Goals, interests, ethics, and cultural assumptions vary cross-culturally, which can complicate forming and maintaining business relationships. In most of Northern Europe, negotiations are relatively efficient, impersonal, and unsociable; negotiators get down to business quickly.

*Technology.* In the past, distinct cultures developed because regions had limited contact with each other. Today, digital, information, communications, and transportation technologies bring people into close contact. The Internet and other communications technologies imply greater likelihood of cross-cultural miscommunications and blunders. To help reduce problems, managers use software that instantly converts messages into any of dozens of languages.<sup>23</sup>

## Models and Explanations of Culture

Scholars have developed several explanations for gaining deeper insights into the role of culture. In this section, we review cultural metaphors, E. T. Hall's high and low context cultures, and Hofstede's dimensions of culture.

### Cultural Metaphors

Martin Gannon offered an insightful analysis of cultural orientations.<sup>24</sup> In his view, a **cultural metaphor** refers to a distinctive tradition or institution that is strongly associated with a particular society. It is a guide to deciphering people's attitudes, values, and behavior.

For example, American football is a cultural metaphor for traditions in the United States, such as being a team player and having a strong leader who moves an organization aggressively toward a desired goal. The Swedish *stuga* (cottage or summer home) is a cultural metaphor for Swedes' love of nature and desire for individualism through self-development. The Brazilian concept of *jeitinho Brasileiro* refers to an ability to cope with the challenges of daily life through creative problem solving or navigating the country's demanding bureaucracy. In the Brazilian context, manipulation and smooth talking are not necessarily viewed negatively because individuals may need to resort to these methods to conduct business.

Anthropologists and other social scientists have studied culture for centuries. Two leading interpretations of national culture are those of E. T. Hall and Geert Hofstede. Hall's contribution was to make a distinction between high- and low-context cultures. Hofstede's influential research led him to distinguish important dimensions of culture.

### High- and Low-Context Cultures

Anthropologist Edward T. Hall classified cultures as low context and high context.<sup>25</sup> When communicating, people in **low-context cultures** rely heavily on spoken words and detailed verbal explanations. As Exhibit 3.14 shows, Europeans and North Americans tend to be low-context with long traditions of writing and speech making. In such cultures, the main function of speech is to express ideas and thoughts clearly, logically, and convincingly; communication is direct, and meaning is straightforward. In negotiations, for example, Americans typically come to the point quickly. Low-context cultures tend to value expertise and performance. Managers conduct negotiations as efficiently as possible. These cultures use specific, legalistic contracts to conclude agreements.

Germany and the United States are leading examples of low-context cultures. International managers sometimes complain that presentations by their U.S. counterparts are too detailed. Everything is spelled out, even when meanings seem perfectly obvious. In Germany, business planning is detailed and explicit. Key information is explained in relatively great detail. Laws, rules, and procedures are thorough and clear and allow people to know what is expected so that they can plan their activities accordingly. Much emphasis is placed on leading a structured and ordered life.<sup>26</sup>

By contrast, **high-context cultures**, such as China and Japan, emphasize nonverbal messages and view communication as a means to promote smooth, harmonious relationships. They prefer an indirect and polite style that emphasizes mutual respect and care for others. They are on guard not to embarrass or offend others. This helps explain why Japanese people hesitate to say *no* even when they disagree with what someone is saying. They are more likely to say "it is different," a softer response. In East Asian cultures, showing impatience, frustration, irritation, or anger disrupts harmony and is considered rude and offensive. Asians tend to be soft-spoken, and people typically are sensitive to context and body language. At a business luncheon in Tokyo, for example, the boss is almost always the senior-looking individual seated farthest from the entrance to the room. In Japan, superiors are given such favored seating to show

**3.5** Learn models and explanations of culture.

#### Cultural metaphor

A distinctive tradition or institution strongly associated with a particular society.

#### Low-context culture

A culture that relies on elaborate verbal explanations, putting much emphasis on spoken words.

#### High-context culture

A culture that emphasizes nonverbal messages and views communication as a means to promote smooth, harmonious relationships.

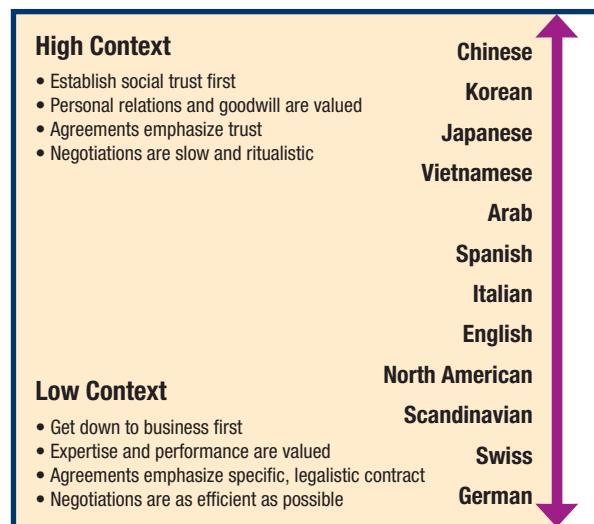


Source: Sergei Bachlakov/Shutterstock

The edgy, risk-taking culture of companies under the Virgin brand owes much to the independent and flamboyant spirit of company founder Richard Branson and contrasts sharply with the conservative cultures of other British firms despite the companies sharing the same national culture.

**EXHIBIT 3.14****Hall's High- and Low-Context Typology of Cultures**

*Source:* Based on *Beyond Culture* by Edward T. Hall, 1976, 1981 by Edward T. Hall. Doubleday, a division of Random House, Inc. For online information about other Random House, Inc. books and authors, see the Internet website at <http://www.randomhouse.com>; Mark Cleveland, Michel Laroche, and Nicolas Papadopoulos, "You Are What You Speak? Globalization, Multilingualism, Consumer Dispositions and Consumption," *Journal of Business Research* 68, No. 3 (2015), pp. 542–552; Donghoon Kim, Yigang Pan, and Heung Soo Park, "High-Versus Low-Context Culture: A Comparison of Chinese, Korean and American Cultures," *Psychology & Marketing* 15, No. 6 (1998), pp. 507–521.



respect. Negotiations tend to be slow and ritualistic, and agreement is founded on trust. To succeed in Asian cultures, it is critical to have a keen eye for nonverbal signs and body language.

**Hofstede's Research on National Culture**

Dutch anthropologist Geert Hofstede conducted one of the early studies of national cultural traits. He collected data on the values and attitudes of 116,000 employees at IBM, a diverse company in terms of nationality, age, and gender. Based on this research, Hofstede identified six independent dimensions of national culture, described next.<sup>27</sup>

**Individualism versus collectivism** refers to whether a person functions primarily as an individual or as part of a group. In individualistic societies, each person tends to focus on his or her own self-interest, and ties among people are relatively loose. These societies prefer individualism over agreement within the group. Competition for resources is the norm, and those who compete best are rewarded financially. Australia, Canada, the United Kingdom, and the United States tend to be strongly individualistic societies.

By contrast, in collectivist societies, ties among individuals are highly valued. Business is conducted in the context of a group in which others' views are strongly considered. The group is all-important because life is a cooperative experience. Conformity and compromise help maintain group harmony. China, Panama, and South Korea are examples of strongly collectivist societies.

**Power distance** describes how a society deals with the inequalities in power that exist among people. In societies with *low* power distance, the gaps between the powerful and weak are small. In Denmark and Sweden, for example, governments have set up tax and social welfare systems that ensure their citizens are relatively equal in terms of income and power. The United States also scores relatively low on power distance.

Societies characterized by *high* power distance do not care very much about inequalities and allow them to grow over time. There are substantial gaps between the powerful and the weak. Guatemala, Malaysia, the Philippines, and several Middle Eastern nations are examples of countries with high power distance. In high-power-distance firms, autocratic management styles focus power at the top and grant little self-rule to lower-level employees. In low-power-distance firms, managers and subordinates are relatively equal and cooperate to achieve organizational goals. **Uncertainty avoidance** refers to the extent to which individuals can tolerate risk and uncertainty in their lives. People in societies with high uncertainty avoidance create institutions that minimize risk and ensure financial security. Companies emphasize stable careers and produce many rules to regulate worker actions and minimize uncertainty. Managers may be slow to make decisions as they investigate the nature and potential outcomes of several options. Belgium, France, and Japan are countries that score high on uncertainty avoidance.

Societies that score low on uncertainty avoidance socialize their members to accept and become accustomed to uncertainty. Managers are entrepreneurial and relatively comfortable taking risks, and they make decisions relatively quickly. People accept each day as it comes and

**Individualism versus collectivism**

Describes whether a person functions primarily as an individual or as part of a group.

**Power distance**

Describes how a society deals with the inequalities in power that exist among people.

**Uncertainty avoidance**

The extent to which people can tolerate risk and uncertainty in their lives.

take their jobs in stride because they are less concerned about ensuring their future. They tend to tolerate behavior and opinions different from their own because they do not feel threatened by them. India, Ireland, Jamaica, and the United States are leading examples of countries with low uncertainty avoidance.

**Masculinity versus femininity** refers to a society's orientation based on traditional male and female values. In masculine cultures, both men and women put high priority on achievement, ambition, and economic growth. Society values competitiveness and boldness. In the workplace, men and women alike are assertive and focused on career and earning money. Typical examples include Australia and Italy. The United States is a moderately masculine society. Hispanic cultures are relatively masculine and display a zest for action, daring, and competitiveness. In business, the masculinity dimension reveals itself as self-confidence and leadership.

In feminine cultures, such as the Scandinavian countries, gender roles overlap. Both men and women emphasize nurturing roles, interdependence among people, and caring for less fortunate people. Welfare systems are highly developed and education is highly supported. Men and women alike are relationship oriented, minimizing conflict, and putting emphasis on the quality of life. In business as well as in private life, they strive for consensus. Work is viewed as necessary to earn money, which is needed to enjoy life.

**Long-term versus short-term orientation**<sup>28</sup> refers to the degree to which people and organizations defer pleasure or gratification to achieve long-term success. Firms and people in cultures with a long-term orientation tend to take the long view to planning and living. They focus on years and decades. The long-term dimension is best illustrated by the so-called Asian values—traditional cultural orientations of several Asian societies, including China, Japan, and Singapore. These values are partly based on the teachings of the Chinese philosopher Confucius. They include discipline, loyalty, hard work, regard for education, respect for family, focus on group harmony, and control over one's desires. Scholars credit these values for the *East Asian miracle*, the remarkable economic growth and modernization of East Asian nations during the past several decades.<sup>29</sup> By contrast, the United States and most other Western countries emphasize a short-term orientation.

**Indulgence versus restraint** is the extent to which people try to control their desires and impulses. Indulgent cultures focus on individual happiness, having fun, and enjoying life. People feel greater freedom to express their own emotions and desires. In the workplace, people feel freer to express their opinions, give feedback, and even change jobs. They aim to be happy on the job and project a positive attitude. Mexico, Sweden, and the United States are examples of indulgent societies.

By contrast, restrained societies try to suppress needs gratification. Happiness of the individual is less valued, and people are reluctant to express their own emotions and needs. People avoid expressing personal opinions, and job mobility is often limited. Basic drives are often controlled by strict social norms. China, Egypt, and Russia exemplify restrained countries.

Although useful, the Hofstede framework has its weaknesses. The original research was based on data collected around 1970. Much has changed since then, including successive phases of globalization, widespread exposure to global media, technological advances, and changes in the role of women in the workforce. In addition, Hofstede's findings are based on the employees of a single company—IBM—in a single industry, making it difficult to generalize. Hofstede's data were collected using questionnaires, which is not effective for probing some of the deep issues that surround culture. Finally, Hofstede did not capture all potential dimensions of culture. Nevertheless, Hofstede's framework is useful as a general guide and for gaining deeper understanding in cross-national interactions with business partners, customers, and value-chain members.<sup>30</sup>

### Masculinity versus femininity

Refers to a society's orientation based on traditional male and female values. Masculine cultures tend to value competitiveness, assertiveness, ambition, and the accumulation of wealth. Feminine cultures emphasize nurturing roles, interdependence among people, and taking care of less fortunate people.

### Long-term versus short-term orientation

Refers to the degree to which people and organizations defer pleasure and gratification to achieve long-term success.

### Indulgence versus restraint

The extent to which people try to control their desires and impulses.



Source: Ivan Paunovic/123RF

Mexico emphasizes collectivism and loyalty to the group. Business is characterized by long-term, easygoing relationships. Substantial power distance is the norm in larger companies, where the dress code is typically conservative.

### Deal Versus Relationship Orientation

Another important dimension of culture concerns the nature of business relationships. In deal-oriented cultures, managers focus on the task at hand and prefer getting down to business. At the extreme, such managers may even avoid small talk and other preliminaries. They prefer to seal agreements with a legalistic contract and take an impersonal approach to settling disputes. Leading examples of deal-oriented cultures include those of Australia, northern Europe, and North America.

In relationship-oriented cultures, managers put more value on relationships with people. To these managers, it is important to build trust and understanding and get to know the other party in business interactions.

For example, it took nine years for Volkswagen to negotiate the opening of a car factory in China, a strong relationship-oriented society. For the Chinese, Japanese, and many in Latin America, relationships are as important as the deal.<sup>31</sup> As noted in the opening case, in China, the concept of *guanxi* (literally, “connections”) is deeply rooted in ancient Confucian philosophy and values a social chain of command and people’s responsibilities to each other. It stresses the importance of relationships within the family and between superiors and subordinates.

**3.6** Understand managerial implications of culture.

### Managerial Implications of Culture

Although culture shapes behavior generally, it also plays a major role in cross-border business. Let’s consider the nature of culture at three distinct levels. Exhibit 3.15 suggests that company employees are socialized by three cultures: *national culture*, *professional culture*, and *corporate culture*.<sup>32</sup> Working effectively within these overlapping cultures is challenging. The influence of professional and corporate culture tends to grow as people are socialized into a profession and workplace.

Most companies have a distinctive set of norms, values, and modes of behavior that distinguish them from other organizations. Such differences are often as distinctive as national culture, so that two firms from the same country can have vastly different organizational cultures. For example, Standard Chartered ([www.standardchartered.com](http://www.standardchartered.com)), a time-honored British bank, has a conservative culture that may be slow to change. By contrast, Virgin ([www.virgin.com](http://www.virgin.com)), the much younger British music and travel provider, has an experimental, risk-taking culture.

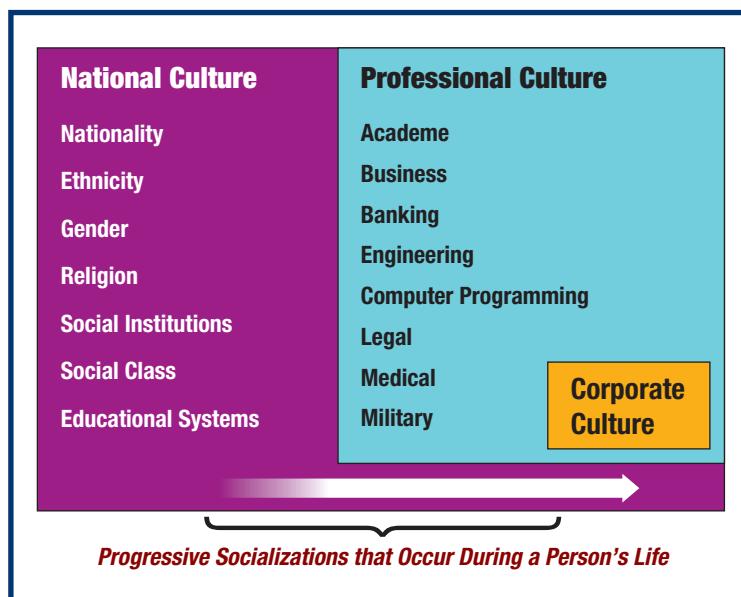
These cultural layers present yet another challenge for the manager: To what extent is a particular behavior caused by national culture? In companies with a strong organizational culture, it is hard to determine where the corporate influence begins and the national influence ends.

In the French cosmetics firm L’Oreal ([www.loreal.com](http://www.loreal.com)), the distinction between national and corporate cultures is not always clear. The French have a great deal of experience in the cosmetics and fashion industries, but L’Oreal is a global firm staffed by managers from around the

#### EXHIBIT 3.15

#### National, Professional, and Corporate Culture

Source: Based on V. Terpstra and K. David, *Cultural Environment of International Business*, 3rd ed. (Cincinnati, OH: South-Western, 1991).



world. Their influence, combined with management's receptiveness to world culture, has shaped L'Oréal into a unique organization, distinctive within French culture.

### Cultural Orientations

One aspect of cross-cultural risk is **ethnocentric orientation**—using our own culture as the standard for judging other cultures. It is also known as home-country orientation.<sup>33</sup> Most managers are raised in a single culture and tend to view the world mainly from their own perspective. Ethnocentric managers usually believe their own race, religion, or ethnic group is somehow superior to others. Although the tendency to be ethnocentric is widespread, the most effective international managers avoid it; instead, they adopt a polycentric or geocentric orientation. A **polycentric orientation** refers to a host-country mind-set in which the manager develops a strong attachment to the country in which she or he conducts business. **Geocentric orientation** refers to a global mind-set through which the manager can understand a business or market without regard to country boundaries. A geocentric orientation implies an openness to, and awareness of, diversity across cultures.<sup>34</sup> Managers with a geocentric orientation possess a cosmopolitan view and acquire skills for successful social behavior in cross-cultural encounters.<sup>35</sup> They adopt new ways of thinking and learn to analyze cultures. They avoid the temptation to judge different behavior as somehow inferior.<sup>36</sup>

#### Ethnocentric orientation

Using our own culture as the standard for judging other cultures.

#### Polycentric orientation

A host-country mind-set in which the manager develops a strong attachment to the country in which she or he conducts business.

#### Geocentric orientation

A global mind-set by which the manager can understand a business or market without regard to country boundaries.

### MyLab Management Watch It!

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete the video exercise titled Impact of Culture on Business a Spotlight on China.

### How to Acquire Cross-Cultural Competence

Managers are more effective in cross-cultural encounters when they keep an open mind, are inquisitive, and don't jump to conclusions about others' behaviors. Even experienced managers undergo cultural training that emphasizes people-watching skills and human relations techniques. Skills are more important than pure information because skills can be transferred across countries, whereas information is often country-specific. Planning that combines informal mentoring from experienced managers and formal training through seminars, courses, and simulations abroad and at home can go far in helping managers meet cross-cultural challenges.

Although every culture is unique, certain basic guidelines are appropriate for gaining cross-cultural competence. Let's review three guidelines managers can follow to prepare for successful cross-cultural encounters.

**GUIDELINE 1: Acquire factual knowledge about the other culture and try to speak the language.** Successful managers acquire a base of knowledge about the values, attitudes, and lifestyles of the cultures that they encounter. Managers study the political and economic background of target countries—their history, current national affairs, and perceptions about other cultures. Such knowledge increases understanding about the partner's mind-set, organization, and objectives. Decisions and events become easier to interpret. Sincere interest in the target culture helps establish trust and respect. It helps lay the foundation for open and productive relationships. Even modest attempts to speak the local language are welcome. Superior language skills help ensure international business success. In the long run, managers who can converse in multiple languages are more likely to negotiate successfully and have positive business meetings.

**GUIDELINE 2: Avoid cultural bias.** Problems arise when managers simply assume that foreigners think and behave just like the folks back home. Such ethnocentric assumptions lead to poor business strategies in both planning and execution. Managers new to international business can find the behavior of a foreigner odd and perhaps improper. For example, it is easy to be offended when a foreigner does not appreciate our food, history, entertainment, or everyday traditions. In this way, cultural bias can be a significant barrier to successful interpersonal communication.

### Self-reference criterion

The tendency to view other cultures through the lens of our own culture.

### Critical incident analysis

A method for analyzing awkward situations in cross-cultural encounters by becoming more objective and developing empathy for other points of view.

A person's own culture conditions how he or she reacts to different values, behavior, or systems, so most people unconsciously assume that people in other countries experience the world as they do. They view their own culture as the norm; everything else may seem strange. This is known as the **self-reference criterion**—the tendency to view other cultures through the lens of our own culture. Understanding the self-reference criterion is a critical first step to avoiding cultural bias and ethnocentric mistakes.

To compete effectively, companies must continually improve ways to communicate with and manage customers and partners around the world. Global teams with members from various cultural backgrounds enable firms to profit from knowledge amassed across the organization's worldwide operations. Such teams function best when the members engage in high-quality communications, minimizing miscommunications caused by differences in language and culture. Nevertheless, inexperienced managers often misunderstand the behavior of foreign counterparts, which hinders the effectiveness of cross-cultural meetings. One way to minimize such problems is critical incident analysis.

**Critical incident analysis** is a useful technique that managers use to analyze awkward situations in cross-cultural encounters. It encourages a more effective approach to cultural differences by helping managers become more objective and develop empathy for other points of view. Critical incident analysis involves the following steps:

- Identify the situations where you need to be culturally aware to interact effectively with people from another culture, including socializing, working in groups, and negotiating.
- When confronted with seemingly strange behavior, discipline yourself to avoid making hasty judgments. Instead, try to view the situation or the problem in terms of the unfamiliar culture. Make observations and gather objective information from native citizens or secondary sources.
- Learn to make a variety of interpretations of others' behavior, to select the most likely one in the cultural context, and only then to formulate your own response.
- Learn from this process and improve continually.

### *GUIDELINE 3: Develop cross-cultural skills.*

Working effectively with counterparts from other cultures requires you to make an investment in your professional development. Each culture has its own ways of conducting business and negotiations and solving disputes. You're exposed to high levels of uncertainty. Concepts and relationships can be understood in a variety of ways.<sup>37</sup> To be successful in international business, you should strive for cross-cultural proficiency. Cross-cultural proficiency is characterized by four key personality traits:

- **Tolerance for ambiguity:** The ability to tolerate uncertainty and apparent lack of clarity in the thinking and actions of others.
- **Perceptiveness:** The ability to observe closely and appreciate hard-to-see information in the speech and behavior of others.
- **Valuing personal relationships:** The ability to recognize the importance of interpersonal relationships, which is often much more important than achieving one-time goals or winning arguments.
- **Flexibility and adaptability:** The ability to be creative in finding innovative solutions, to be open-minded about outcomes, and to show grace and kindness under pressure.



Source: rawpixel/123RF

In Japan and South Korea, bowing is common in business and personal settings.

Managers with a geocentric or cosmopolitan view of the world are generally better at understanding and dealing with similarities and differences among cultures. Successful multinational firms seek to instill a geocentric cultural mind-set in their employees and use a geocentric staffing policy to hire the best people for each position, regardless of national origin. Over time, such firms develop a core group of managers who are comfortable in any cultural context.

One way for managers to determine the skills they need to approach cultural issues is to measure their cultural intelligence.<sup>38</sup> *Cultural intelligence (CQ)* is a person's capacity to function effectively in situations characterized by cultural diversity. It focuses on specific capabilities important for high-quality personal relationships and effectiveness in culturally diverse settings and work groups.



*Source:* Mark Bowden/123RF

Cross-cultural proficiency increases the effectiveness of meetings and other encounters in international business.

## Ethical Connections

Ethical norms and values vary by culture. A survey of 23,000 managers worldwide found that compared to firms in Italy, companies in the United Kingdom are more likely to be led by senior managers who support high standards of ethical conduct. Compared to Japan, employees in Australia stated that if they witnessed a violation of ethical standards, they would feel relatively comfortable reporting it. Compared to firms in Russia, employees in India believed that Indian companies are committed to ethical conduct.

*Source:* A. Ardichvili, D. Jondle, B. Kowske, "Dimensions of Ethical Business Cultures: Comparing Data from 13 Countries of Europe, Asia, and the Americas," *Human Resource Development International* 15, No. 3 (2010), pp. 299–315.

## CLOSING CASE

### Hollywood Movies and Global Culture

The most commercially successful filmmaker of all time, Steven Spielberg, is synonymous with U.S. cinema. He has directed and produced international blockbusters such as *Jurassic Park*, *Transformers*, and the *Indiana Jones* movies. But critics complain that his movies promote American values and reflect the larger trend of the Americanization of beliefs and lifestyles around the world.

Take the case of Hollywood's depiction of Africa. Hollywood movies—for example, *Beasts of No Nation* and *Blood Diamond*—consistently have portrayed Africa as scenically beautiful but terrible in other ways. Other films, for example, *Independence Day*, depict Africa as a land of backward villagers and tribal warriors. The popular movie *Lost in Translation* came under fire for portraying Japanese people as robotic characters who mix up their L's and R's. The image-conscious Japanese were disappointed by their depiction as comic relief. In a scene in which Bill Murray's character is taking a shower in a five-star hotel, he must bend and contort to get his head under the showerhead. Another scene, in which Murray is shown towering at least a foot above an elevator full of local businessmen, mocks the smaller physique of the Japanese. The film was seen to reinforce negative stereotypes about the Japanese.

Today, American studios produce 70 percent of the films viewed internationally. Hollywood is one of the United States' major

exporting industries. In contrast, the European film industry is now about one-ninth the size it was in 1945, and today, foreign films hold less than 2 percent of the U.S. market. The copyright-based industries, which also include software, books, music, and TV, contribute enormously to the U.S. economy. Although the United States imports few foreign films, Hollywood's output remains in high demand worldwide.

Fans worldwide increasingly stream movies on their smartphones, tablets, and other personal devices. Netflix is a leading supplier, with more than 100 million subscribers in 190 countries. Other suppliers include Amazon, Apple, Disney, and Hulu. Netflix has subsidiaries in Brazil, India, Japan, South Korea, and the Netherlands. Netflix streams movies from major film companies and also produces its own programs like the popular series *House of Cards*.

### Stereotypes and Religious Values

Under attack since their origin, Hollywood films are widely accused of presenting biased accounts of reality. *Borat* was seen to portray Muslims negatively and was banned throughout the Arab world. Similarly, *The Dictator* was thought to offer negative stereotypes of

Arabs. Critics felt *The Love Guru* made fun of Hinduism, the main religion of South Asia. *Slumdog Millionaire*, while very popular in Western countries, was much criticized in South Asia where many felt the film presented negative stereotypes about India. Some believed the portrayal of urban poverty in India was exaggerated and inaccurate. Nations with deep religious values were offended by *Brokeback Mountain*, which portrayed a homosexual relationship between two cowboys in the United States.

Crucial to U.S. dominance of world cinema is widespread acceptance of the cultural associations inherent in Hollywood films, an obstacle competitors must overcome. U.S. stars and Hollywood directors are well established in the international movie scene with worldwide drawing power.

### Movies and Comparative Advantage

According to the theory of comparative advantage, countries should specialize in producing what they do best and import the rest. Economists argue this theory applies to films as much as to any industry. As a former Canadian prime minister remarked, “Movies are culture incarnate. It is mistaken to view culture as a commodity ... Cultural industries, aside from their economic impact, create products that are fundamental to the survival of Canada as a society.” Thus, some

countries attempt to block imports of movies from the United States in an effort to protect their own film industries.

### A Cultural Dilemma

Despite plenty of arguments on both sides of this ongoing debate, many big-budget Hollywood movies are in fact multinational productions. The James Bond thriller *Quantum of Solace*, with its German-Swiss director and stars hailing from Britain, Ukraine, and France, was filmed in Britain, Panama, Chile, Italy, and Austria. Russell Crowe, Charlize Theron, Penelope Cruz, Nicole Kidman, and Daniel Craig are just a few of the many global stars not from the United States. Two of the seven major film companies collectively known as *Hollywood* aren’t even U.S. firms. Hollywood is not as American as it once was.

As the lines connecting Hollywood with the United States are increasingly blurred, protectionists should not abandon their quest to save the intellectual and artistic quality of films. In an interview with the *New York Times*, French director Eric Rohmer stated that his countrymen should fight back with high-quality movies, not protection. “I am a commercial film maker. I am for free competition and am not supported by the state.”

## AACSB and CKR Intangible Soft Skills to improve employability and success in the workplace: Analytical Thinking, Diverse and Multicultural Environments, Reflective Thinking

### Case Questions

- 3-4.** Most aspects of foreign culture, such as language, religion, gender roles, and problem-solving strategies, are hard for the casual observer to understand. In what ways do Hollywood movies affect national culture outside the United States? What aspects of U.S. culture do Hollywood films promote around the world? Can you observe any positive effects of Hollywood movies on world cultures?
- 3-5.** Culture plays a key role in business. In what ways have movies influenced managerial tasks, company activities, and other ways of doing business around the world? Can watching foreign films be an effective way of learning how to do business abroad? Justify your answer.
- 3-6.** Hollywood movies are very popular abroad, but foreign films are not viewed much in the United States. What factors determine the high demand for Hollywood films? Why are they so popular in Europe, Japan, Latin America, and elsewhere? Why are foreign films demanded so little in the United States? What can foreign filmmakers do to increase demand for their movies in the United States?

*Sources:* Harriet Alexander, “Why *Beasts of No Nation* Fails to Tell the Whole Story About Child Soldiers,” *The Telegraph*, October 16, 2015, [www.telegraph.co.uk](http://www.telegraph.co.uk); Sam Ali, “*Borat* Panders to Muslim Hatred,” *The Spokesman-Review*, November 21, 2006, [www.spokesman.com](http://www.spokesman.com); Hillary Busic, “Blame Canada: The 5 Greatest Pop Culture Insults to America’s Hat,” *Entertainment Weekly*, January 18, 2015, retrieved from [www.ew.com/article/2012/10/12/canada-jokes](http://www.ew.com/article/2012/10/12/canada-jokes); Ben Child, “Sacha Baron Cohen Criticised over ‘Negative Stereotypes’ of Arabs,” *The Guardian*, May 17, 2012, [www.theguardian.com](http://www.theguardian.com); Hyun-key Kim Hogarth, “The Korean Wave: An Asian Reaction to Western-Dominated Globalization,” *Perspectives on Global Development & Technology* 12, No. 1/2 (2013), pp. 135–151; K. Lee, “The Little State Department: Hollywood and the MPAA’s Influence,” *Northwestern Journal of International Law & Business* 28, No. 2 (2008), pp. 371–383; K. Day, “Totally Lost in Translation,” *The Guardian*, January 24, 2004, [www.theguardian.com](http://www.theguardian.com); Duncan Gilchrist and Michael Luca, “How Netflix’s Content Strategy Is Reshaping Movie Culture,” *Harvard Business Review Digital Articles*, August 31, 2017, pp. 2–5; Tom Pollard, “Hollywood’s Asian-Pacific Pivot: Stereotypes, Xenophobia, and Racism,” *Perspectives on Global Development & Technology* 16, No. 1–3 (2017), pp. 131–144; Salman Rushdie, “A Fine Pickle,” *The Guardian*, February 28, 2009, [www.theguardian.com](http://www.theguardian.com); Alissa Wilkinson, “Hollywood’s Ideas About Audiences Are Outdated. Wonder Woman’s Record-Smashing Debut Proves It,” *Vox*, June 5, 2017, [www.vox.com](http://www.vox.com).

This case was written by Sonia Prusaitis under the supervision of Dr. Gary Knight.

# END-OF-CHAPTER REVIEW

## MyLab Management

Go to [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete the problems marked with this icon .

## Key Terms

acculturation 97  
critical incident analysis 116  
cross-cultural risk 95  
cultural metaphor 111  
culture 94  
ethnocentric orientation 115  
geocentric orientation 115  
high-context culture 111

idiom 103  
individualism versus collectivism 112  
Indulgence versus restraint 113  
long-term versus short-term orientation 113  
low-context culture 111  
masculinity versus femininity 113

monochronic 98  
polycentric orientation 115  
polychronic 98  
power distance 112  
self-reference criterion 116  
socialization 97  
uncertainty avoidance 112

## Summary

In this chapter, you learned about:

- **Culture and cross-cultural risk**

Culture is the values, beliefs, customs, arts, and other products of human thought and work that characterize the people of a given society. Cross-cultural risk arises from a situation or event in which a cultural misunderstanding puts some human value at stake. Values and attitudes are shared beliefs or norms that individuals have internalized.

- **Dimensions of culture**

Culture is reflected by various dimensions, including our values and attitudes; manners and customs; time and space perceptions; symbolic, material, and creative expressions; education; and social structure. Social structure is characterized by individuals, family, and groups as well as by social stratification and mobility. Monochronic cultures exhibit a rigid orientation to time in which the individual is focused on schedules, punctuality, and time as a resource. Polychronic cultures have a flexible, nonlinear orientation to time in which the individual takes a long-term perspective.

- **Role of language and religion in culture**

There are nearly 7,000 active languages in the world, of which Mandarin Chinese, Hindi, English, Spanish, and Arabic are among the most common. Language has both verbal and nonverbal characteristics and is conditioned by our environment. Sometimes it is hard to find words to convey the same meaning in different languages. Religion provides meaning and motivation that define people's ideals and values and affects culture and international business deeply.

The four main religions are Christianity, Islam, Hinduism, and Buddhism.

- **Culture's effect in international business**

In international business, culture affects management of employees, marketing activities, and interaction with customers and partners. Culture influences the design of products and services. It affects the firm's internal environment and how managers perceive and deal with business tasks.

- **Models and explanations of culture**

Culture can be interpreted through cultural metaphors, distinctive traditions or institutions that serve as a guide or map for deciphering attitudes, values, and behavior. An idiom is an expression whose symbolic meaning is different from its literal meaning. Low-context cultures rely on elaborated verbal explanations, putting much emphasis on spoken words. High-context cultures emphasize nonverbal communications and a more holistic approach to communication that promotes harmonious relationships. Hofstede's typology of cultural dimensions consists of individualism versus collectivism, power distance, uncertainty avoidance, masculinity versus femininity, long-term versus short-term orientation, and indulgence versus restraint.

- **Managerial implications of culture**

Most corporations exhibit a distinctive set of norms, values, and beliefs that distinguish them from other organizations. Managers can misinterpret the extent to which a counterpart's behavior is attributable to national, professional, or corporate culture. Ethnocentric orientation refers to using

one's own culture as the standard for judging other cultures. Polycentric orientation refers to a host country mind-set that gives the manager greater affinity with the country in which she or he conducts business. Geocentric orientation refers to a global mind-set by which the manager can understand a business or market without regard to country boundaries. National culture influences consumer behavior, manage-

rial effectiveness, and the range of value-chain operations such as product and service design and marketing activities. Managers need to develop understanding and skills in dealing with other cultures and should avoid cultural bias and engage in critical incident analysis to avoid the self-reference criterion.

## Test Your Comprehension

### AACSB and CKR Intangible Soft Skills to improve employability and success in the workplace: Analytical Thinking, Diverse and Multicultural Work Environments, Reflective Thinking

- 3-7.** Describe culture and cross-cultural risk.
- 3-8.** Describe the characteristics of high- and low-context cultures.
- 3-9.** What are cultural metaphors, and why are they significant?
- 3-10.** What are the two major perceptions of time, and how does each affect international business?
- 3-11.** How are values and attitudes internalized?
- 3-12.** What are the major religions, and how do they affect international business?
- 3-13.** What are the elements of language?

- 3-14.** Distinguish the three layers of culture. What are the major elements of country-level and professional culture?
- 3-15.** How can a manager use critical incident analysis in order to avoid the self-reference criterion? Why is this an important factor?
- 3-16.** How does a manager with a deal orientation differ from a manager with a relationship orientation?
- 3-17.** What are the four key personality traits that characterize cross-cultural proficiency?

## Apply Your Understanding

### AACSB and CKR Intangible Soft Skills to improve employability and success in the workplace: Written and Oral Communication, Ethical Understanding and Reasoning, Diverse and Multicultural Work Environments, Reflective Thinking

- 3-18.** Suppose you get a job at Kismet Indemnity, a life insurance company. In its 45-year history, Kismet has never done any international business. Now its president, Randall Fraser, wants to expand abroad. You have noted in meetings that he seems to lack much awareness of the role of culture. Write a memo to him in which you explain why culture matters in international business. Be sure to speculate on the effects of various dimensions of culture on sales of life insurance.
- 3-19.** People tend to see other cultures from their own point of view. They accept their own culture and its ways as the norm; everything else seems foreign, or even mysterious. This chapter described an approach called self-reference criterion (SRC), which is the tendency to view other cultures through the lens of one's own culture. How would you go about defining the nature of SRC? Suggest an example of how it could emerge in an international context. Explain the possible problems in this approach in the context of international business operations and

outline the importance of the concept of SRC for a firm planning to enter international markets for the first time.

- 3-20.** *Ethical Dilemma:* Suppose you work for a multinational firm and are posted to Bogotá, Colombia. After renting a house in a posh neighborhood, you hire a full-time housekeeper to perform household chores, a common practice among wealthy Colombians. A colleague at work tells you that local housekeepers are typically poor women who live in Bogotá's slums and earn about \$200 a month. As an executive, you feel guilty about paying such a cheap wage when you can afford much more, but for cultural and socioeconomic reasons, your colleague insists you cannot pay more than the going rate. Doing so might embarrass your housekeeper and risk upsetting the economic balance in her community. Analyze this dilemma. Do you pay your housekeeper the customary local rate or a higher wage? Justify your decision. Can you think of any creative solutions to this dilemma?



## INTERNET EXERCISES

Access globalEDGE™ at [www.globalEDGE.msu.edu](http://www.globalEDGE.msu.edu)

### AACSB and CKR Intangible Soft Skills to improve employability and success in the workplace: Information Technology, Analytical Thinking, Diverse and Multicultural Work Environments, Application of Knowledge

- 3-21. Ethnologue ([www.ethnologue.com/web.asp](http://www.ethnologue.com/web.asp)) is a site that lists the world's known languages. It is an excellent resource for scholars and others with language interests and contains statistical summaries of the number of language speakers by language size, family, and country. Using Ethnologue, try the following:
- Visit the China page. What is the population of China? Of the country's nearly 300 languages, which has the largest number of speakers? Which has the second-largest number of speakers? How do these figures compare to the total number of English speakers in the English-speaking countries of Australia, Britain, Canada, New Zealand, and the United States?
  - Visit the Spain page. How many people live in Spain? How many native Spanish speakers are in Spain? How many languages altogether are spoken in Spain?
  - Switzerland is one of the smallest European countries. What are the major languages of Switzerland, and how many speakers does each have?
  - Ethnologue's Statistics section shows the distribution of living languages as a percentage of world population.

Which world region has the most languages? Which region has the fewest? Why do you suppose those regions evolved in such a way?

- 3-22. Cultural intelligence is a person's ability to function effectively in situations characterized by cultural diversity. globalEDGE™ and other online resources feature cultural intelligence scales. What are the components of cultural intelligence? Answer the questions on this scale, and calculate your score on cultural intelligence. Compare your score to those of your classmates.
- 3-23. Various websites list cultural blunders or faux pas (false steps) people make in their international interactions. Neglecting to develop relationships (as in "Just sign the contract, I'm in a hurry!") and making too-casual use of first names (as in "Just call me Bill!") are examples of such blunders. Research online sources such as Kwintessential ([www.kwintessential.co.uk](http://www.kwintessential.co.uk)) or simply enter "cultural blunders" in an Internet search engine to identify examples of improper cultural behaviors. How can managers avoid these errors?

### CKR Career Preparation Kit™

#### CKR IB Process Knowledge and Tools®

##### Country Cultural Awareness Checklist

Traveling internationally requires thorough, early preparation, including actions not normally required for purely domestic travel. In Chapter 1, we presented the **CKR: Travel Abroad Preparation Checklist** that contained specific information on travel documents, security, safety, health care, currency exchange, telephoning, electrical power and plug adapter requirements, and so forth.

A second critical checklist, based on this chapter, is the **CKR: Country Cultural Awareness Checklist**.

Every country is different. For any country that you intend to visit, it is best to develop your awareness of its background, appropriate manners and etiquette, and verbal and nonverbal communication.

For a more detailed treatment of this topic, visit the Pearson MyLab Management website ([www.pearson.com/mylab/management](http://www.pearson.com/mylab/management)), and click on the **CKR: Country Cultural Awareness Checklist**. It contains a comprehensive list of the details that you need to prepare before traveling abroad.

## Endnotes

- Yoree Koh and Daisuke Wakabayashi, “The Land of the Rising Crust,” *Wall Street Journal*, September 20, 2014, p. D8; Preetika Rana, “In India, Forget Doughnuts, It’s Time to Make the Tough Guy Chicken Burger,” *Wall Street Journal*, November 29, 2014, pp. A1 and A4; Harry C. Triandis, *Culture and Social Behavior* (New York: McGraw-Hill, 1994).
- F. Kluckhohn and F. Strodtbeck, *Variations in Value Orientations* (Evanston, IL: Row Peterson, 1961).
- Dante Chicchetti (ed.), *Developmental Psychopathology*, 3rd ed., Vol. 4 (Hoboken, NJ: Wiley, 2016); Charles Sowerwine, *France Since 1870: Culture, Politics and Society*, 3rd ed. (London: Palgrave Macmillan, 2018).
- James Neuliep, *Intercultural Communication: A Contextual Approach* (Thousand Oaks, CA: Sage, 2018).
- Alice Eagly and Shelly Chaiken, *The Psychology of Attitudes* (New York: Harcourt Brace Jovanovich, 1993); Geert Hofstede, “Attitudes, Values and Organizational Culture: Disentangling the Concepts,” *Organization Studies* 19, No. 3 (1998), pp. 477–493.
- Roger Axtell, *The Do’s and Taboos of International Trade* (New York: Wiley, 1994).
- Edward T. Hall, *The Silent Language* (Garden City, NY: Anchor, 1981); Neuliep, 2018.
- Della Moty, *Colors Talk! Meanings of Colors*, Amazon Digital Services, [www.amazon.com](http://www.amazon.com), 2017; Christina Wang, “Symbolism of Colors and Color Meanings Around the World,” *Shutterstock Blog*, April 3, 2015, [www.shutterstock.com](http://www.shutterstock.com).
- Valerie Berenger and Audrey Verdier-Chouchane, “Child Labour and Schooling in South Sudan and Sudan: Is There a Gender Preference?,” *African Development Review* 28, No. S2 (2016), pp. 177–190; UNESCO (2017), “National Literacy Programme,” UNESCO Institute for Lifelong Learning, <http://litbase.uil.unesco.org>.
- “Babel Runs Backwards,” *The Economist*, January 1, 2005, pp. 58–60; M. Paul Lewis et al. (ed.), *Ethnologue: Languages of the World*, 18th ed. (Dallas, TX: SIL International, 2015), [www.ethnologue.com](http://www.ethnologue.com); *Ethnologue*, “How Many Languages Are There in the World?,” 2017, [www.ethnologue.com](http://www.ethnologue.com).
- Erin Moore and Lynne Truss, *That’s Not English: Britishisms, Americanisms, and What Our English Says About Us* (New York: Gotham, 2015).
- Hall, 1981; Neuliep, 2018.
- John Esposito and Darrell Fasching, and Todd Lewis, *World Religions*, 6th ed. (New York: Oxford University Press, 2017).
- Rachel McCleary, “Religion and Economic Development,” *Policy Review* (April/May 2008), pp. 45–57; Rachel McCleary and Robert Barro, “Religion and Economy,” *Journal of Economic Perspectives* 20, No. 2 (2006), pp. 49–72; Jeaney Yip and Susan Ainsworth, “Whatever Works” *Journal of Macromarketing* 36, No. 4 (2016), pp. 443–456.
- Adrian Furnham, *The Protestant Work Ethic* (London: Routledge, 1990); Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York: Charles Scribner’s Sons, 1930; Vigeo Press Reprint, 2017).
- Meg Carter, “Muslims Offer a New Mecca for Marketers,” *Financial Times*, August 11, 2005, p. 13; Laura Colby, “Tired of Halal Chicken? Try the Eyeshadow,” *Bloomberg Businessweek*, December 26, 2016, p. 24.
- Economist*, “Untouchable and Unthinkable,” October 6, 2007, pp. 15–16; Ira Gang, Kunal Sen, and Myeong-Su Yun, “Is Caste Destiny? Occupational Diversification among Dalits in Rural India,” *European Journal of Development Research* 29, No. 2 (2017), pp. 476–492.
- Esposito et al., 2017; Furnham, 1990; Sethi S. Prakash and P. Steidlmeier, “Hinduism and Business Ethics,” *Wiley Encyclopedia of Management* 2 (2015), pp. 1–5; Weber, 1959.

19. Esposito et al., 2017; Charles Hee, "A Holistic Approach to Business Management: Perspectives from the Bhagavad Gita," *Singapore Management Review* 29, No. 1 (2007), pp. 73–84; Sethi and Steidlmeier, 2015.
20. Esposito et al., 2017; Hershey Friedman, "The Impact of Jewish Values on Marketing and Business Practices," *Journal of Macromarketing* 21 (June 2001), pp. 74–80.
21. Rachel Abrams, "Adapting Listerine to a Global Market," *New York Times*, September 12, 2014, retrieved March 28, 2015, from [www.nytimes.com/2014/09/13/business/adapting-listerine-to-a-global-market.html?\\_r=0](http://www.nytimes.com/2014/09/13/business/adapting-listerine-to-a-global-market.html?_r=0).
22. James Agarwal, Naresh Malhotra, and Ruth Bolton, "A Cross-National and Cross-Cultural Approach to Global Market Segmentation: An Application Using Consumers' Perceived Service Quality," *Journal of International Marketing* 18, No. 3 (2010), pp. 18–40; J. Andrew Petersen, Tarun Kushwaha, and V. Kumar, "Marketing Communication Strategies and Consumer Financial Decision Making: The Role of National Culture," *Journal of Marketing* 79 (2015), pp. 44–63.
23. Bangaly Kaba and K. Osei-Bryson, "Examining Influence of National Culture on Individuals' Attitude and Use of Information and Communication Technology: Assessment of Moderating Effect of Culture Through Cross Countries Study," *International Journal of Information Management* 33, No. 3 (2013), pp. 441–452; Forbes, "This Translation Tool Is Helping Break Global Language Barriers," May 17, 2017, [www.forbes.com](http://www.forbes.com); Erin Meyer, "When Culture Doesn't Translate," *Harvard Business Review* 93, No. 10 (2015), pp. 66–72; Sengun Yeniyurt and Janell Townsend, "Does Culture Explain Acceptance of New Products in a Country? An Empirical Investigation," *International Marketing Review* 20, No. 4 (2003), pp. 377–396.
24. Martin Gannon and Raj Pillai, *Understanding Global Cultures: Metaphorical Journeys Through 34 Nations*, 6th ed. (Thousand Oaks, CA: Sage, 2015).
25. Edward T. Hall, *Beyond Culture* (New York: Anchor, 1976); Edward T. Hall and Mildred Reed Hall, *Understanding Cultural Differences* (Boston: Intercultural Press, 1990).
26. Craig Storti, *The Art of Doing Business Across Cultures: 10 Countries, 50 Mistakes, and 5 Steps to Cultural Competence* (Boston: Intercultural Press, 2017).
27. Sjoerd Beugelsdijk, Tatiana Kostova, and Kendall Roth, "An Overview of Hofstede-Inspired Country-Level Culture Research in International Business Since 2006," *Journal of International Business Studies* 48, No. 1 (2017), pp. 30–47; Geert Hofstede, *Culture's Consequences* (Beverly Hills, CA: Sage, 1980); Geert Hofstede, Gert Jan Hofstede, and Michael Minkov, *Cultures and Organizations: Software of the Mind*, 3rd ed. (New York: McGraw-Hill, 2010).
28. Ibid.
29. Kazimierz Poznanski, "Confucian Economics: How Is Chinese Thinking Different?," *China Economic Journal* 10, No. 3 (2017), pp. 362–384; Richard Priem, Leonard Love, and Margaret Shaffer, "Industrialization and Values Evolution: The Case of Hong Kong and Guangzhou, China," *Asia Pacific Journal of Management* 17, No. 3 (2000), pp. 473–482.
30. Beugelsdijk, Kostova, and Roth, 2017; Hofstede, 1980; Hofstede, Hofstede, and Minkov, 2010.
31. Joyce Osland, Silvio De Franco, and Asbjorn Osland, "Organizational Implications of Latin American Culture: Lessons for the Expatriate Manager," *Journal of Management Inquiry* 8, No. 2 (1999), pp. 219–238; David C. Thomas and Mark F. Peterson, *Cross-Cultural Management: Essential Concepts*, 4th ed. (Thousand Oaks, CA: Sage, 2017).
32. Hofstede, 1998; Vern Terpstra and Kenneth David, *The Cultural Environment of International Business*, 3rd ed. (Cincinnati, OH: Southwestern, 1991); Thomas and Peterson, 2017.
33. Neuliep (2018); Howard Perlmutter, "The Tortuous Evolution of the Multinational Corporation," *Columbia Journal of World Business* 4, No. 1 (1969), pp. 9–18.
34. V. Govindarajan and A. Gupta, *The Quest for Global Dominance* (San Francisco: Jossey-Bass/Wiley, 2001); Joana Story, John Barbuto Jr., Fred Luthans, and James A. Bovaird, "Meeting the Challenges of Effective International HRM: Analysis of the Antecedents of Global Mindset," *Human Resource Management* 53, No. 1 (2014), pp. 131–155.
35. Robert Boyd and Peter Richerson, *Culture and Evolutionary Process* (Chicago: University of Chicago Press, 1985); Story et al., 2014; Thomas and Peterson, 2017.
36. Story et al., 2014; Thomas and Peterson, 2017; Harry C. Triandis, *Culture and Social Behavior* (New York: McGraw-Hill, 1994).
37. Tomasz Lenartowicz and James P. Johnson, "A Cross-National Assessment of the Values of Latin America Managers: Contrasting Hues or Shades of Gray?," *Journal of International Business Studies* 34, No. 3 (2003), pp. 266–281; Thomas and Peterson, 2017; Neuliep, 2018.
38. Soon Ang, Linn Van Dyne, and Christine Koh, "Personality Correlates of the Four-Factor Model of Cultural Intelligence," *Group & Organization Management* 31, No. 1 (2006), pp. 100–123; Kevin Groves, Ann Feyerherm, and Minhua Gu, "Examining Cultural Intelligence and Cross-Cultural Negotiation Effectiveness," *Journal of Management Education* 39, No. 2 (2015), pp. 209–243; David C. Thomas and Kerr Inkson, *Cultural Intelligence: Surviving and Thriving in the Global Village* (Oakland, CA: Berrett-Koehler Publishers, 2017).

# Chapter 4

# Ethics, Corporate Social Responsibility, Sustainability, and Governance in International Business

**Learning Objectives** *After studying this chapter, you should be able to:*

- 4.1** Learn the components of ethical behavior and their importance in international business.
- 4.2** Recognize ethical challenges in international business.
- 4.3** Understand corporate social responsibility.
- 4.4** Understand sustainability.
- 4.5** Know the role of corporate governance.
- 4.6** Learn how to apply the framework for making ethical decisions.

## Improving the Lives of Bangladeshi Garments Factory Workers

**B**angladesh is one of the top exporters of garments, with a 4.8 percent export market share. It is the most significant industry for the country, accounting for around 75 percent of the total export revenue and employing nearly 4 million people. The biggest export destinations are the European Union and the United States. New export markets are opening up in the emerging economies of Russia, Brazil, and China. Beside trade revenue and employment creation, this industry is very important for Bangladesh due to its contribution to social mobility, urbanization, and above all to empowerment of women. Most of the workers are female and from rural areas where agriculture is the only

source of employment. The remarkable improvement Bangladesh has achieved over the last 25 years in public health, primary education, and poverty alleviation are the fruits of the success of its garment industry. However, working conditions and pay in this industry have not met expectations.

The garment industry value chain is very buyer-driven, and suppliers have very limited bargaining power. Buyer-driven value chains usually occur in industries where production is labor-intensive, non-specialized, and requires low fixed cost. Entry barriers are high in designing, distribution, branding, advertising, and market intelligence but low in the production stage. Hence,