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CULTURE AND GLOBALIZATION

Put very simply, culture means the values, customs, beliefs and behaviours held in common by a group of people. This group can be very large – we sometimes speak of 'Western culture' to mean the whole of Europe, North America and Australia/New Zealand – or very small, as in the case of a golf club or a sporting team which has a particular ethos and way of doing things.

Culture is usually considered in one of two forms: (1) the culture of organizations, usually considered as a sub-set of the field of organization behaviour, and (2) national and regional cultures, usually considered in the light of how they impact on marketing and human resource management. As well as interrelating with each other, both organizational culture and national/regional culture affect how managers think and work and make decisions.

WHY IS CULTURE SO IMPORTANT?

In 1998 one of the largest mergers in corporate history took place when the internet service provider AOL merged with global media group Time Warner. The new combined company, AOL/Time Warner, was hailed as a 'new generation' company which would bring media and internet communications together to create a new kind of global corporation. Sadly, as the newspapers would later report, things did not work out that way. Just a few years later, in 2002, AOL/Time Warner lost a staggering one hundred billion dollars, the largest annual loss in US corporate history.

What went wrong? There were many possibly explanations offered, but one contributing factor which seems to have been

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almost universally agreed by those outside the organization was that the two companies that merged had fundamentally different cultures. AOL, a new company, was very much a 'new style' company whose managers adopted an aggressive approach to competitors and even to each other and worked in a high-pressure atmosphere. Time Warner, an older company, had a more laid-back approach, and its managers tended to value harmony and conciliation rather than aggression and confrontation. None of these things could be quantified or stated as proven facts, but to observers of both organizations they were well known phenomena. Quite simply, the two groups of managers could not understand each other, did not like each other, and could not work with each other. And while other and more serious problems and errors occurred, the gap in understanding between the two cultures proved to be a hole which could swallow up a hundred billion dollars.

There are many other examples. The merger of two automobile giants, Daimler-Benz and Chrysler, failed when the two cultures could not be brought together and managers from the two halves of the company could not see eye to eye. Others failed because of internal cultural breakdowns. When cultures clash, even the largest and most powerful organizations become unstable and can be brought to the point of collapse.

But culture is not just a negative influence. On the positive side, a progressive culture that works well can be a huge source of inspiration and creativity. There is no one single recipe for this kind of culture: the pressure-cooker atmospheres of Microsoft and Google and the more relaxed and laid back cultures of Sony and Intel serve equally well as seed-beds for creative thinking. In each case, management has sought to build a culture that will stimulate creativity, and in each case it has succeeded. And the fusion of cultures, though difficult to achieve, can also bring about more inspiration and creativity. The merger of European car maker Renault with its former rival the Japanese company Nissan was praised for bringing the best of European and Japanese thinking together and ensured that Renault-Nissan survives in the increasingly competitive global car market (even if its CEO did end up being smuggled out of Japan in a box to evade criminal charges).

ORGANIZATION CULTURE

We talked about organization culture in Chapters 3 and 4, but let us take a closer look. At the start of this chapter we defined culture as the values, customs, beliefs and behaviours held in common by a group of people, in this case a business organization. One can understand more about the culture of any particular organization by asking some of the following questions:

- **Values.** What sorts of values do members of the organization have in common? Do they value hard work, teamwork, training? Do they value their own leisure time, fun and games, the cameraderie of office life? Do they value respect for superiors, or personal freedom and independence at work? Do they feel that work comes first, or do they treat work as a necessary evil?
- **Customs.** Does the organization have any special customs, such as dress-down Friday or a tradition of get-togethers outside of office hours? Do members of the organization have any special connection with each other, or do they keep largely to themselves? Do they have common interests, or are they a group of largely disparate individuals?
- **Beliefs.** Do members of the organization believe in the organization itself? Do they agree with its aims and goals? Do people at lower levels sympathize, at least to some extent, with senior managers? Do people think the organization is fundamentally a good place to work?
- **Behaviours.** What common behaviours do people show? Do they tend to arrive promptly for work, or do they have a lackadaisical attitude to time-keeping? Are they respectful or contemptuous of authority? Do they keep their workstations tidy, or are they likely to be a mess? Do they take up training and other development opportunities when offered, or do they prefer to keep their distance? Are they polite and friendly to customers, or rude and dismissive?

The answers to these questions are indicators only; culture cannot be quantified. Some consultants say they can actually 'feel' or 'smell' the culture of a business through various cues and stimuli in the environment; whether premises are kept clean, whether people are friendly or unfriendly to strangers and so on. The anthropologist Clifford Geertz in his study of cultures suggested that cultures could also be classified according to 'thickness' or 'thinness': a 'thick' culture is one where the values, beliefs and so on are widespread and deeply held and will be difficult to change, while a 'thin' culture is not strongly held and easier to change.

By answering the questions above and looking at the issue of thickness and thinness, we can form some overall views of what a particular culture might be like. Here are some examples of corporate culture (note that these are not mutually exclusive, and actual cultures might partake of more than one of the following):

- **Conservative.** The culture adheres to present values and tends to resist change.
- **Progressive.** The culture is forward-looking and amenable to change.
- **Aggressive.** The culture takes a proactive approach to competition and innovation and believes the organization should dominate its market.
- **Harmonious.** The culture favours co-existence between groups within the organization and between organizations, and tends to recognize and accept diversity.
- **Passive.** The culture is less competitive and tends to be content with the status quo.
- **Innovative**. The culture believes in innovation as a force for improving the organization, society, or both, and will actively promote innovation without direction from above.
- **Entrepreneurial.** The culture is individualistic and democratic and rewards personal enterprise.
- **Patriarchal.** The culture looks to its leaders for guidance and tends not to reward personal enterprise.
- **Technology-oriented.** The culture believes in the power of technology as an article of faith, and eagerly adopts new technology.
- **Humanistic.** The culture is strongly centred on human values and human relationships, seeing these as the heart of the business. It may be sceptical of the value of technology.

Other features may be noticeable as well. To sum up, every organization has a culture, and that culture in turn determines the organization's attitude to a great many things: its customers, its products, its goals and values, its suppliers and its own members. It affects the relationships between people, and can determine whether communications work effectively and knowledge is circulated. In the end, it can influence the success or failure of management.

As we discussed earlier, changing the culture of an organization is very hard, and requires patience, determination and leadership. However, changing the culture of an organization is often a vital pre-requisite to changing the organization itself, especially where a conservative or passive culture has been allowed to develop. Again, Geertz's concept of thickness and thinness comes into play, with 'thick' cultures being harder to change and uproot.

Finally, it should be recognized that different parts of the organization might develop sub-cultures all their own. Marketing departments, for example, often have a built-in bias towards more humanistic cultures, while production departments might become more technology-oriented. There is nothing intrinsically wrong with having these difficult sub-cultures, and it may prove difficult to eradicate them. The potential for harm lies when different sub-cultures adopt different and opposing values, customs, beliefs and behaviours, and then find that they cannot live with each other within the framework of the organization. The resulting conflict can paralyze or even kill the business, as we saw in the example of AOL/Time Warner.

NATIONAL AND REGIONAL CULTURES

National and regional cultures are again shared sets of values, customs, beliefs and behaviours that are held in common by most or all of the citizens of a country or a significant ethnic grouping (we are using the word national here in a loose sense; it is recognized that many nations such as the UK, Spain, India, Malaysia and so on have several different 'national' cultures). While an organization's culture is a feature of the organization itself, national culture is part of the environment. Its consequences for business are several:

- It shapes the value and beliefs of customers, meaning that customer behaviour and decision-making may vary from culture to culture.
- It affects social perceptions of business – and in particular foreign businesses – and can have an impact on the legal and regulatory frameworks that govern business conduct.
- It affects the motivations of employees and how they behave in the workplace, particularly with regard to hierarchy and responsibility.
- Following from the above, national culture also has a determining effect on organization culture and helps to shape the latter; thus conservative national cultures are more likely to produce conservative organizational cultures, patriarchal national cultures are more likely to produce patriarchal organization cultures, and so on.

When considering consumer behaviour, often simple things such as names, words, colours and so on can have a dramatic impact on customer perceptions, either positive or negative. Coca-Cola is one company which has persistently been able to use images and words to its advantage, adapting itself to different cultures around the world. One of its few mistakes was in Taiwan, when an early and poor translation of the slogan 'Coke adds life' was interpreted to literally mean 'Coke will bring back your ancestors from the grave'. But this error was quickly fixed, and when launching the project in China Coca-Cola chose for its logo a set of characters that were pronounced *ke kou ke le*; the literal meaning in Mandarin is 'mouth thirsty getting joy'. This not only reinforced the Coca-Cola name but gave it a resonance in the local culture.

Social perceptions of business can range from the dramatically different, such as the prohibition on charging interest on bank loans in Islamic cultures, to more subtle shifts such as the 'corporatist' culture found in some European states, notably Italy. Here, businesses and government work closely together in a way that would be considered unthinkable – even unethical – in the United States. These different social expectations of what business is and how managers should behave are often expressed in the laws and business regulations of different countries.

The final two points, concerning employee behaviour and motivation and the impact that national culture has on local culture, were studied in detail by the Dutch academic Geert Hofstede in the 1970s and 1980s. Although it was known anecdotally that different national cultures had different perceptions of work, motivation and hierarchy, Hofstede set out to prove that such differences existed. By conducting global surveys of managers and employees of IBM (for which he had worked for many years), Hofstede was not only able to show that these differences existed, but also to come up with a scheme for categorizing them.

According to Hofstede, cultural differences could be measured by scoring employee attitudes on four dimensions: power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity (subsequent developments of Hofstede's work have added new dimensions such as short-termism v. long-termism). Power distance measures how power is distributed within a society; high power distance societies have strong hierarchies, while low power distance societies have weak and loose hierarchies. In uncertainty avoidance, societies with high scores are intolerant of risk and change, while low scores show that risk and paradox are more widely accepted. On the individualism/collectivism scale, high scores reflect the importance of personal freedom and free will, while low scores require a degree of subjugation of the individual will to the needs of the community. Finally, in masculinity/femininity, societies where earnings, promotion and status are seen as the most important work goals are classified as 'masculine', while those where quality of life and human relationships are prioritised are classified as 'feminine'.

Using these four dimensions, Hofstede classified more than 60 national cultures in terms of their approach to work (more countries have since been added). America and Scandinavian countries scored low on power distance, while China and Japan scored more highly. Indonesia and Malaysia scored highly on uncertainty avoidance, while some European countries had very low scores, and so on. Using these four dimensions, Hofstede was able to build up a series of composite pictures of national culture and how it impacts on the workplace.

Hofstede's conclusions and methods have been challenged, but interestingly, almost no one has questioned his conclusion that cultural variations make a huge difference in how different cultures perceive work, hierarchy, motivation and the like. On the contrary, most critics have insisted that Hofstede did not go far enough in measuring these differences, and that even more complex dimensions and differences exist. The GLOBE project in the early twenty-first century expanded on Hofstede's work by adding a large number of different classifications with more detail and more empirical backing, but the fundamental result was the same: national and regional cultures have a powerful impact. Few would challenge the basic assumption that different national cultures shape and affect attitudes to work around the world.

WORKING ACROSS CULTURES

The problems of working in different cultures become even greater when organizations work *across* cultures, as for example when a multi-national company has operations in several different markets, or an overseas aid charity funds projects across two or three continents. Managers from the home country sent to work in other countries sometimes assume that cultural norms will be the same as in their home country. This is almost never the case.

It is important when moving between cultures to be sensitive to cultural differences. This means respecting local customs and beliefs. Customers will make buying decisions based on different criteria; for example, consumers with lower disposable incomes may place more emphasis on value for money and be less interested in luxury features. Customers will also have different buying patterns; in North America it is customary for supermarket customers to buy nearly all of their groceries on a single visit once a week, whereas European customers are more likely to shop on a daily basis. Employees also have different requirements and different understandings of their responsibilities at work. Offices in Muslim countries will usually close on Friday, and on other days of the week employees will require breaks to take their daily prayers. Fasting during Ramadan also needs to be factored in. Language, especially non-verbal language, is a constant source of pitfalls. Managers working overseas need to have patience, good humour, humility and above all a willingness to learn about and absorb elements of their host culture.

GLOBALIZATION

The term 'globalization' was developed by economists in the 1970s and passed into general usage in the early 1990s. The idea of companies operating globally is not new; the British East India Company, for example, had operations in Europe, several parts of Asia, and North America. In the 1990s, though, two events made globalization a major force. The first was the opening up of the former Soviet Union and its satellite countries, along with the faster pace of economic reforms in China, which meant that very few borders in the world were not open to international trade. The second was the beginning of the information technology revolution which made it much easier to coordinate operations around the world. First e-mail and mobile phones, then Skype and Adobe Connect, and more recently Teams and Zoom have enabled instant communication between offices, departments and people.

Along with this combination of open borders and communications technology came a political and economic emphasis on free trade. Several rounds of negotiation led to the General Agreement on Tariffs and Trade (GATT) and the foundation of the World Trade Organization which sets rules for international trade and pushes for the lowering of trade barriers. Regional trading blocs such as the European Union and the North American Free Trade Agreement (NAFTA) helped to lower trade barriers still further. The rapid growth of free trade represented a challenge to the long-standing American–European dominance of global business. Rapidly growing new economies were seen to be the future, first the BRICS group (Brazil, Russia, India, China, South Africa) and then MINT (Mexico, Indonesia, Nigeria, Turkey). The rise of these countries, observers argued, would contribute to an economic 'levelling up' of the global economy, with developing countries becoming more prosperous and global poverty fading away. It would also lead to cultural convergence, with a gradual disappearance of cultural differences.

It hasn't quite worked out that way. Of the BRICS countries, only China has been a major success, rising to become the world's second largest economy. Brazil and South Africa in particular have economic and political troubles, as do Turkey and Mexico. There have been complaints that globalization has failed to deliver on its promise of levelling up, and that the gap between the global rich and poor has widened; economic statistics tend to confirm this. Poverty, political instability and climate change mean that development has stalled or even worsened. Developed countries had their own economic trouble in the aftermath of the financial crisis of 2008, leading some to press for more trade barriers and a reduction of free trade in order to benefit their own economy. The trade war between China and the USA, largely politically motivated on both sides, led some observers to wonder if this was the high-water mark of globalization.

The real picture is much more mixed. Some countries embrace free trade, others reject it, but global brands like McDonald's, Coca-Cola and Nike still manage to have widespread penetration. What has changed is that globalization is no longer as dominated by American and European countries and cultures as before. New competitors have emerged. Tata, the Indian business group that now draws the majority of its income from outside India, is an example. Cultural convergence is still apparent, but again, the cultural forms that sweep the world don't just come from America; bhangra and gangnam have become global musical phenomena. Hollywood competes with 'Bollywood', the powerful and productive Indian film industry, and with the rising power of Nigerian cinema (referred to inevitably as 'Nollywood') on a global basis. Globalization is still happening, but it is not simply the dominance of Western culture that might have been predicted.

There has inevitably been a backlash in some countries, where increasing nationalist sentiment has led to the closure of borders and restrictions on foreign companies and migrants. Again, the picture is mixed; some countries are closing their borders, others are opening them still further. The Covid-19 pandemic interrupted the process by forcing virtually every country to limit personal travel, but global business went on with little or no interruption.

What do managers need to know about globalization? First, it exists, and despite nationalist and protectionist sentiment in some regions, it is likely to go on existing. We are all players in a global marketplace now, and even small companies have to face competition from overseas markets. We need to be aware of this, and of the cultural differences that exist between ourselves, our customers and our competitors. Successful managers will need to have cultural sensitivity and a global outlook.

SUMMARY

- Culture is a vitally important element in business, and both organizational culture and national culture have an impact
- Culture cannot be quantified, but exercises an influence over virtually all thought processes and decision-making
- Two or more cultures may be present within the same organization. This diversity may be a positive force, but it is important to avoid clashes of values
- National culture exerts an influence on both organization cultures and the marketplace and society as a whole
- Globalization may be leading to cultural convergence, but culture still exerts a strong influence.

SUGGESTIONS FOR FURTHER READING

Adler, N.J., *International Dimensions of Organizational Behavior*, London: International Thomson Publishing, 1997, 3rd edn. Very useful textbook on the influence of culture on people and organizations, in particular the opening chapter.

Coyle, D., *The Culture Code: Secrets of Highly Successful Groups*, New York: Random House, 2019. Very popular work on how various groups create and use culture to achieve their ends.

Hofstede, G., *Cultures and Organizations: Software of the Mind*, London: McGraw-Hill, 1991. The second of Hofstede's two highly influential books, and the most up to date. Many people have criticized Hofstede, but almost no one has said his ideas are not valid; most complain that he does not go far enough!

House, R.J., *et al., Culture, Leadership and Organizations: The GLOBE Study of 62 Societies*, Thousand Oaks, CA: Sage, 2004. Summary of the findings of the GLOBE project which followed up Hofstede's early work.

Ohmae, K., *The Borderless World: Power and Strategy in the Interlinked Economy*, New York: Harper Business, 1990. One of the classic texts on globalization; read and see whether you agree with the author.

Schein, E.H., *Organizational Culture and Leadership*, New York: Wiley, 2016, 5th edn. Updated version of a classic work by one of the pioneer thinkers on organization culture.