

16.15: Dimensions of Cultural Difference and Their Effect

Learning Outcomes

- Explain the dimensions of cultural difference.
- Identify effects of cultural differences on global business.

Cultural Differences and Global Business

When considering going into international business, managers need to realize that conditions they take for granted may be different in other countries. For example, Wal-Mart's first international expansion was into Mexico. It modeled the Wal-Mart stores in Mexico after its stores in the United States, with a stand-alone store surrounded by large parking lots. But it soon realized this was a problem. Many of the customers rode on buses to the store. This meant customers had to walk through the parking lot to get to the store and could only buy what they could carry back to the bus. To address this, Wal-Mart added shuttle buses that took customers to and from the store.

Difficulties like those faced by Wal-Mart are easy to identify and often are easy to fix. **Cultural differences**, however, also concern deeply held beliefs, values, and customs that are more difficult to identify. Understanding cultural differences is particularly important for managers, because managers must understand their employees to motivate and lead them. Geert Hofstede, a Dutch management researcher, conducted a multiyear, multicountry study to identify ways to describe differences in national cultures. His research included more than 100,000 employees of a global corporation in 40 countries. A later study, called the GLOBE project, included 170,000 managers in 162 countries. These studies identified nine dimensions that describe differences in national cultures.

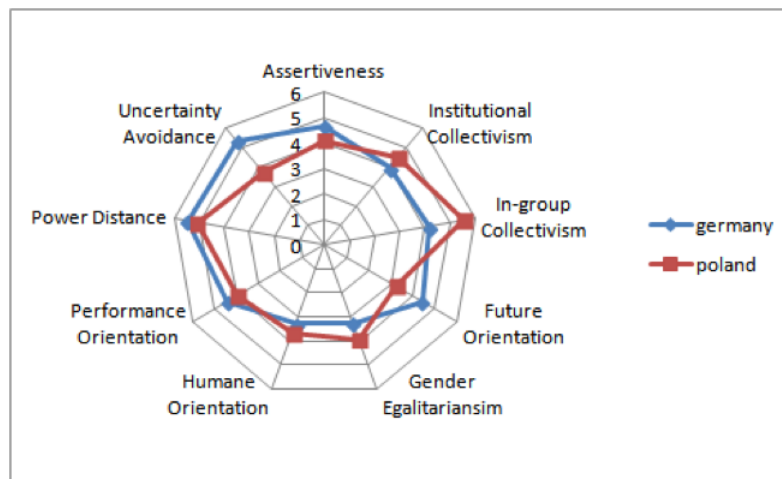
These dimensions are power distance, uncertainty avoidance, performance orientation, assertiveness, future orientation, humane orientation, institutional collectivism, in-group collectivism, and gender egalitarianism. Let's look at each in more detail.

1. **Power Distance.** Power distance is the degree to which people accept an unequal distribution of power and status privileges. In high power distance countries, there is respect for age and titles, people are expected to follow rules, and there is more tolerance for concentrated power. India, Mexico, and the Philippines have high power distance. The United States, Australia, and Israel have low power distance.
2. **Uncertainty Avoidance.** The degree to which people are uncomfortable with risk, change, and ambiguity is called uncertainty avoidance. In high uncertainty avoidance countries, there is a greater emphasis on rules, structure, order, and predictability. France, Japan, and Costa Rica, for example, are countries with high uncertainty avoidance. The United States, India, and Sweden have low uncertainty avoidance.
3. **Performance Orientation.** Performance orientation is the degree to which innovation, high standards, and excellent performance are encouraged and rewarded. Countries with high performance orientation value materialism and competitiveness, and they expect to invest in training to promote performance improvements. The United States and European countries have high performance orientations; Argentina, Russia, and Greece have low performance orientations.
4. **Assertiveness.** Assertiveness is the degree to which individuals are forceful, confrontational, and aggressive, as opposed to cooperative and compassionate. In high assertiveness countries such as the United States, Germany, and Mexico, communication is direct and unambiguous. Individual initiative is encouraged, and relationships are likely to be competitive. Countries with low assertiveness rankings are Switzerland and New Zealand. Managers in these countries are more likely to look for consensus and cooperative decision making.
5. **Future Orientation.** The degree to which delayed gratification and planning for the future are valued over short-term gains is called future orientation. Countries with high future orientation encourage investments for future payoffs over immediate consumption. It is similar to the ability of individuals to delay gratification. Canada, Switzerland, and Malaysia have high future orientation; Poland, Argentina, and Russia have low future orientation.
6. **Humane Orientation.** The degree to which fairness, altruism, generosity, and kindness are encouraged and valued is a measure of a country's humane orientation. In nations with high humane orientation, individuals are responsible for promoting the well-being of others as opposed to the state providing social and economic support. The Philippines, Ireland, and Egypt have high humane orientation; France, Germany, and Singapore have low humane orientation.
7. **Institutional Collectivism.** Institutional collectivism is the degree to which organizational and societal institutions encourage individuals to be integrated into groups and organizations. In high institutional collectivism countries, collective distribution of resources and collective action are encouraged. Group loyalty is encouraged, even if it undermines the pursuit of individual

goals. Sweden, Japan, and Singapore are examples of countries that have high institutional collectivism; Germany, Argentina, and Italy have low institutional collectivism. In the United States, low institutional collectivism has resulted in debates on appropriate work-life balance.

8. **In-Group Collectivism.** In-group collectivism is the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families. In countries with high institutional collectivism, individuals identify with their families or organizations and duties and obligations determine behaviors. A strong distinction is made between individuals who are in a group and those who are not. India, Egypt, and China are examples of countries that have high institutional collectivism; Sweden, New Zealand, and Finland have low institutional collectivism.
9. **Gender Egalitarianism.** The degree to which male and female equality is actualized is called gender egalitarianism. Countries with high gender egalitarianism provide more opportunities for women and have more women in positions of power. Sweden, Poland, and Costa Rica have high gender egalitarianism. Japan, Italy, and Egypt have low gender egalitarianism. In these countries, women generally have lower status at work and in the culture.

In the chart that follows, Germany and Poland are similar in their cultural characteristics.



Comparison of cultural characteristics of Germany and Poland using data from GLOBE 2004 study

? Practice Question

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Effects of Cultural Differences on Global Business

When companies decide to expand internationally, they have to be aware of cultural differences. To be effective, managers need to be attuned to their cultural surroundings. There have been many examples of advertising that included images or phrases that were culturally offensive. For example, Pepsi lost its dominant market share to Coke in Southeast Asia when Pepsi changed the color of its vending machines to light “Ice” blue. The company failed to understand that light blue is associated with death and mourning in that region.

Managers must also consider different communication practices. In some countries, direct feedback is considered impolite, and managers must be able to read subtle body language to determine if the receiver has understood and accepted the message. For example, in many cultures, telling a superior that he has made a mistake is considered disrespectful.

Different cultures also have different ideas about time. In the United States, an appointment is the time someone is expected to arrive. In some countries, an appointment is the earliest someone is expected to arrive, but he could arrive much later. Global managers must appreciate and accommodate these cultural differences.



Management expert Peter Drucker

But what about the effect of cultural differences on the basic functions of management? Are there universal theories that will hold in any culture? The answer is yes and no. Peter Drucker, the famed management expert, observed:

“Management is deeply embedded in culture. What managers do in Germany, in the United Kingdom, in the United States, in Japan, or in Brazil is exactly the same. How they do it may be quite different.”^[1]

In other words, the functions of management are the same everywhere, but the functions are performed differently in different countries.

We have defined the four basic management functions as planning, organizing, leading, and controlling. Consider how the GLOBE cultural dimensions could affect these basic management functions.

- **Planning.** Future orientation and uncertainty avoidance have a significant impact on how businesses plan. In cultures with high future orientation, the current conditions of the organization are assessed and planning is based on changes needed to reach future goals. In a low future orientation culture, the history of the organization is considered and planning is based on preserving traditions while moving forward. In high uncertainty avoidance countries, planning will be very deliberate, and only plans with a low risk of failure and high certainty of outcomes will be considered. In low uncertainty avoidance countries, planning will be much more flexible. Plans will accept that the future is unpredictable and will assume that problems will be addressed as they occur.
- **Organizing.** Performance orientation and institutional collectivism both affect how firms are organized. In countries with high institutional collectivism, organizations based on teams and group efforts would likely be most effective. In countries with low institutional collectivism, more hierarchical structures with clear lines of authority and well-defined responsibilities would likely work best. In high performance orientation cultures, organizations would be based on individual achievements. Individual goals would be set and performance would not be based on meeting fixed targets but on ranking compared to others. In low performance orientation countries, cooperation and collaboration would be emphasized. Goals based on organizational outcomes would be more effective.
- **Leading.** Power distance and humane orientation are important considerations for leaders. In high power distance countries, people would expect leaders to be more directive, and they would expect rules and procedures to be well-defined. In low power distance countries, leadership would have to be more collaborative and people would question rules and procedures they did not agree with. Humane orientation would have an effect on motivation. In high humane orientation cultures, leaders would be expected to be nurturing and empowering. People would be motivated by the contribution they are making to the organization and others in the organization. In low humane orientation cultures, leaders would be expected to be clear in their expectations. People would be motivated by their wages and benefits and would challenge anything that threatened their well-being. Gender egalitarianism could also be a factor. In low gender egalitarianism countries, women’s leadership would not be automatically accepted and women would have to assert their authority.
- **Controlling.** Assertiveness and power distance affect how organizations can be controlled effectively. In high assertiveness countries, managers would be directive and authoritarian. They would exert control through close observation and punishment. In a low assertiveness country, managers would be expected to be more tolerant and to exert control through encouragement and corrections. In high power distance countries, authoritarian and directive managers would likely be more effective than participative managers.

? Practice Question

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Key Points

Deciding to engage in global business exposes companies to risks and hazards. However, when companies research conditions and plan and prepare for cultural differences, they can benefit from the advantages of globalization. In the next section we consider strategies managers can use to respond to cultural differences.

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1. Peter Drucker, *The Essential Drucker*, New York: HarperCollins, 2001. [↩](#)

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