

Hofstede's cultural theory business essay



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Multinational companies are faced with the challenge of developing their operations in a constantly changing environment. In this way they are placed in the necessity of expanding their businesses in foreign countries which brings several implications. In organizational terms this means that the companies, in order to be successful, will have to go through a deep analysis to determine what their capabilities and weak areas are. But not only this provide the outcome on whether to expand their business or not, this will be just the first stage of a very long journey of understanding the processes that create value and how the company integrates these processes in order to succeed in a foreign market.

The main motive of multinational companies to expand in the foreign markets is to avoid the saturation point or to increase the product life cycle. Any company which tends to globalize or internationalize, has to move into a foreign market and make a set up in that country. Today when the world is getting smaller and all the nations are getting close to each other it is very important for every growing organization to eye the foreign markets and increase its exporting and importing capabilities.

But problems occur when these multinational firms start operating in different countries and are surrounded by number of issues which create obstacles in their progress. Then let it be the government rules and regulations, the culture of that country or the working environment. Different countries have different approaches towards the business world and companies should study intensively about the infrastructure of a country before entering that market. Especially some nations like India or Pakistan

are highly culturally influenced, so there has to be a wise policy before making a move.

Different markets have different demand in terms of rules, culture and environment. When companies go global, the governing personals have to be very adaptable in order to cooperate well with the native people or the native market. Mostly multinational companies consider it to be the most crucial step which leads them to study the culture of the country so that they deploy suitable products and well trained personals. Companies set up research and development offices in these markets initially before entering those countries or markets to study the market and the demand and most important the culture of the culture of the people there. Example: Wal-Mart, the giant retailer wants to enter the emerging countries; India is one of the biggest consumer based emerging markets of the world, Wal-Mart has set up research and development offices in Bangalore, India. So they are studying the working environment and the culture of the market in India so as to make a perfect entry strategy. IKEA, a giant furniture retailer has a keen eye on entering the Indian market but has failed as there is a restriction on the foreign direct investment in India, it only allows a 51% ownership but IKEA wants a 100% ownership, so there are hindrances for IKEA. Different markets and countries have different approaches.

When companies intend to expand their operations into a broader scale many difficulties arise, not only because this can be caused by a badly planned entry strategy but also in terms of integration of their internal systems that the company has in order to function adequately and moreover

to get well with all together a different culture, people and their taste and demands.

The complexities of the issues faced by the companies need to be addressed so that the impact within the organisation is minimised. However the organisations need to be sensitive with their environment in a way that their strategic behaviour finds a harmonizing point between the local and the international environment and the organisation itself. The particular issues between the cross cultural management and personal administration is that it has been building up on its importance since multinational companies are bound to face different issues as they operate in foreign markets.

LITERATURE REVIEW:

Organizations function diversely in different countries. They prepare policies for every country in which they plan to expand their business. IHRM (international human resource management) should be strong enough in order to help organization in achieving success on alien land. IHRM have to gather and understand cultural information on broader perspective because foreign norms are different from one's own. In terms of cultural analysis, there are two main studies that can be referred as relevant in knowing culture environment of other country. First is Hofstede (2001) tells about the cultural differences through a deep evaluation of social and cultural dimensions. The focus on the social aspects considers valuable information on various topics, such as Collectivism and Individualism considering the data collected from all countries. In the same way this study is also oriented in an international dimension to evaluate the cultural aspects that might have an impact on the organization and its well-functioning. On the other hand the study of

Trompenaars et al (1997) focuses not only on a much descriptive analysis of what are the cultural elements in societies but also links these cultural aspects to the business environments providing awareness on how to deal with inter cultural communication in business relation.

HOFSTEDE'S CULTURAL THEORY:

“ Undoubtedly, the most significant cross-cultural study of work -related values is the one carried out by Hofstede's” - Bhagat and Mcquaid (1982).

3 October 1928, Gerard Hendrik Hofstede was born. He was a student of national and organizational cultures. He was an author of many cultural books. Hofstede effort commenced in 1980 , which was a great success because his research introduced when there was less internationalization among nations due to problem of understanding culture differences. His research had 116, 000 questionnaires taken by 60, 000 people around 50 nations. From his research he provided four dimensions (Power Distance, Individualism/Collectivism, Uncertainty Avoidance and Masculinity/Femininity) . Fifth dimension (Long/Short term orientation) was added after a strong study by Hofstede and Bond (Hofstede 1991b; Hofstede and Bond 1984; Hofstede and Bond 1988).

HOFSTEDE'S FIVE CULTURAL DIMENSIONS:

a) POWER DISTANCE INDEX (PDI):

PD can be defined as a difference between nations on the bases of hierarchy and relationships. Nations who are falling high on power distance scale follow hierarchy way in there organization. Staff has to wait for a green signal from their officials. Parity is not found in hierarchical countries. There is a large

distance between the poor and the wealthy people. Inequality of power distribution leads to exploitation at times in these nations. Students give respect to teachers even after school hours. While, nations with low power distance believes in equality . Relationships and working in a team is significant for them. Powerful people try to be friendly with others . They don't misuse there power.

High Power Distance Low

MAL ARA MEX IND FRA ITA JPN SPA ARG US GER UK DEN ISR AUT

b) INDIVIDUALISM (IDV):

In this dimension individualism is opposite to collectivism. Nations having individualistic traits look after their immediate family. They believe in “ I have done this”. On the collectivist said people maintain relationship with extended family as well. “ We have done this” is their trait.

In collectivist people give importance to group achievements and group rights. Unlike collectivist, in individualistic countries people need privacy and time is precious to them. Collectivist love to work in a harmony.

Individualism Collectivism

AUL US UK CAN FRA GER SPA JPN MEX ITA KOR SIN

c) MASCULINITY (MAS):

Countries that are more masculine are task oriented and they look for result. While countries with low masculine are more affectionate and male/female is at par level . Discrimination is nil in these countries while in masculine, male dominates all over. MAS countries are more competitive in comparison to

countries with low MAS. Unlike femininity (small and slow), masculine countries look for fast and big achievements. Masculine traits are success, individual achievement, competition, material love and power.

Masculinity Femininity

JPN MEX GER UK US ARA FRA KOR POR CHC DEN SWE

d) UNCERTAINTY AVOIDANCE INDEX (UAI):

In this dimension countries differ on the basis of facing threat or avoidance of facing threats. Countries falling strongly on uncertainty avoidance are threatened to face unexpected situations, so they try to avoid it by applying certain rules and regulations. To them surprising situation is dangerous. They adopt formal rules and simple procedures. Countries falling in this dimension are countries with an old history. New innovative suggestion and principals are difficult to be applied in this group. Low uncertainty avoidance nations welcome different (ambiguous) situations because they love to take risky steps. Unwanted situations is exciting for them. Informal rules are adopted all over. Basically countries in these dimensions are young and ready to face risk and innovations are looked by them.

High Uncertainty Avoidance Low

GRE JPN FRA KOR ARA GER AUL CAN US UK IND DEN SIN

e) LONG / SHORT TERM ORIENTATION (LTO):

Nations with long orientation look for their future goal. Success of tomorrow is important to them. "You are never a loser until you quit trying", is their trait. They believe in vigorous growth and hard work. A Respect for the status is duly given and they have a sense of shame. While, short term

nations have a respect to traditions and national pride. Stabilization is their trait. They aim for quick outcome (result). Future is not kept in mind. Status doesn't carry any value in their group. They keep their reputation good, avoid being disapproved.

Long Term Orientation Short Term

CHI HK JPN TAI VIE BRA IND US CAN UK E/W AFR

TROMPENAAR'S AND HAMPDEN TURNER'S CULTURAL THEORY:

History:

Fons Trompenaar is an author of cross cultural communication and he is a Dutch. His writing includes many books on culture while Charles Hampden turner is a British philosopher in management field. Along with Trompenaar, Hampden created a dimension which shed light on people of different environments and how they behave and interact in their daily life.

TROMPENAARS AND HAMPDEN SEVEN CULTURAL DIMENSIONS:

a) UNIVERSALISM vs. PARTICULARISM:

This dimension emphasize on rules and relationships. In universalism, rules given significance and they applied on everyone. Every individual follow rules and contracts. Rules are meant to tell the truth. While particularism is give importance to relationships . Deals are made on friendships . They believe in flexibility on agreements. And they closely examine the situation to know the truth.

PARTICULARISTIC

UNIVERSALISTIC

PARTICULARISTIC

1. Singapore

2. Spain

3. Japan

4. France

UNIVERSALISTIC

1. US

2. Germany

3. Sweden

4. UK

Figure: Shows countries falling in universalistic and particularistic dimension

Application:

In universal society people follow rules and regulations like in US every personnel follow traffic lights to make them feel people are at par level while in particularistic, people break traffic signal as well due to brotherhood.

b) INDIVIDUALISM vs. COLLECTIVISM:

Individualistic nations love being recognised single. They believe in word “ I”. Group doesn't matter them . Privacy is what they need . They love to work

independently . Self benefit is what they look for. Their relationship with others is negligible. While collectivism, believes in teamwork. They believe in “ we”. They are attached to their colleagues, family members and friends. Interdependence is found in them. Benefit of group they practice.

INDIVIDUALISM

COLLECTIVISM

COLLECTIVISM

1. Japan

2. Italy

3. Mexico

4.

INDIVIDUALISM

1. US

2. UK

3. Australia

4. Canada

Figure: Shows countries falling in individualism and collectivism dimensions.

c) NEUTRAL vs. AFFECTIVE RELATIONSHIPS:

Neutral groups keep their emotions inside and they don't reveal what they thinking. Revelation of their emotions leads to tension on their face. They

remain reserved and cool . Sometimes their emotions explode out. Affective people on the other hand are very much emotional. They reveal their emotions by verbal and non-verbal way. They remain transparent. Anger, happiness is clear visible. They react to the situation there only.

AFFECTIVE

NEUTRAL

NEUTRAL

1. Japan
2. UK
3. Germany
4. Sweden

AFFECTIVE

1. China
2. Italy
3. Spain
4. France

Figure: Shows countries with neutral and affective cultures

d) SPECIFIC vs. DIFFUSE RELATIONSHIPS:

People falling in specific dimensions keep their personal and work life away . Their private life is private and when socials then they are open. They look

for direct communication. In diffuse, people private lives have number of people in it. There is no difference between private and work life. Common person is needed In between stranger and manager for an introduction in order to do a business.

SPECIFIC

DIFFUSE

SPECIFIC

1. France

2. US

3. UK

4.

DIFFUSE

1. China

2. Russia

3. Spain

4. Japan

Figure: Shows countries of specific and diffuse traits

e) ACHIEVEMENT vs. ASCRIPTION:

In achievement, accomplishments are made in order to gain status. Seniors head in office are given respect throughout due to the knowledge and

experience they have. Status change according to time as person accomplish more and more. In a culture with ascribed status, people given title based on their gender, birth and wealth. They have not given according to their accomplishment.

ASCRPTION

ACHIEVEMENT

ASCRPTION

1. China
2. Russia
3. Spain
4. Japan

ACHIEVEMENT

1. US
2. Germany
3. Mexico
- 4.

Figure: Shows countries having achievement and ascription culture.

f) TIME ORIENTATION (PAST, PRESENT, FUTURE):

In past culture nations, people give value to their traditions or history. They talk about their family tree, its origin, and talk about history. People of the

nations are asked to recreate golden age . In present culture, people believe in present moment. Enjoyment and activities are planned for the moment. Present relationship is important. Contemporary impact and style is what they practice. Future culture nations look for future goal. People plan for future achievements and aspirations. They have an interest in youth and in future.

PAST

PRESENT

FUTURE

PAST

FUTURE

PRESENT

Figure: Shows countries of past, present and future culture

g) INNER DIRECTED vs. OUTER DIRECTED:

In inner directed nations people believe that nature can be controlled by humans. If rightly worked and made an effort then humans can dominate nature. In contrast to inner directed, people in outer directed culture believes that nature is above everything and humans are one force of nature , so they should live in harmony and adapt to the external environment.

OUTER

INNER

OUTER

INNER

Figure: Shows countries falling in inner and outer cultural traits.

PROS AND CONS OF THE THEORIES:

HOFSTEDE:

PROS:

Hofstede's model helped people in day to day life. Making them understand about different culture. Hofstede's model helped organisation, to expand their business on an international level without facing any cultural hindrances. Example: examines difference in attitudes and behaviour (Alden, Hoyer, and Lee 1993), used in advertising (McCarty and Hattwick 1992; Gregory and Munch 1997; Zandpour et al . 1994), international brand strategies (Roth 1995). While for some Hofstede's model is rigorous and relevant because the time it was made there was little approach in culture and businesses on international was very low (Sondergaard 1994, 448, 449) . Hofstede's model triggered people to globalise.

CONS:

In spite of being successful, Hofstede also faced numerous criticisms from all over. Some finger out over relevance of the model. Researchers said this it is not accurate. While most says that Hofstede's model did not paid attention on community . According to Hofstede all domestic nations have

homogenous society. But some countries are group of ethnic units (Nasif et al 1991, 82; Redpath 1997, 336). While as per McSweeney, 2000, says, "Analysing through nations is not proper because it is not necessary bounded by border ". Some says it is out dated while other says four dimensions did not give sufficient information.

TROMPENAAR:

PROS:

Trompenaars and Hampden-Turner's model gave a tool to staff who works on international assignments and projects . Easy to understand culture of the other country is made easy by them which led others to understand cross-cultures. Their research showed that way of doing business is different among all the countries.

CONS:

Their research failed to recognise the personal characteristics on behaviour and forget to provide recommendations. As per other authors, " the border is diminishing and world should be seen as a single unit ".

HOFSTEDE AND TROMPENAAR-HAMPDEN TURNER'S THEORY:

CORRELATION

Hofstede's and Trompenaars -Hampden's individualism and collectivism are identical in orientation. In Trompenaars model, how and where status is given importance and where people look for team work shows link to Hofstede's power distance dimension but not wholly because Hofstede's

power distance cover other issues as well . Trompenaars universalism /particularism can be taken as Hofstede's uncertainty avoidance and collectivist/individualistic dimension because in these dimension they discussed about how nations differ in giving preference to rules than relationships.

Even researches done with the help of Hofstede's and Trompenaars-Hampden's model showed similarity in their result . Example: Japan and India is collectivist they lie low in individualism index while UK, US are entirely individualistic countries.

CONTRARY

Contrast between Hofstede's and Trompenaars can be seen in their result of research. Example: Unlike in Hofstede's model, Mexico and Spain are individualistic according to Trompenaars model. Germany has hierarchical culture according to Trompenaars dimension while Hofstede's says it's low in power distance.

Hofstede's has four dimensions to explain culture differences, while Trompenaars and Hampden have extra dimensions.

Hofstede's results becoming out of date. 1960s -1970s results are not the same for today because culture change over time.

According to James Cambridge, " Hofstede's reach is more on analysis, but restricted as well while Trompenaars and Hampden Turner are broader in their approach. Hofstede's measures on the variables of cultures, while Trompenaars involved in a method for cultural creation". Trompenaars and

Hampden Turner (1997), "all cultures face the similar problems but they are contrary in their solutions which lead to excel the opposites".