

# Cultural distance how is it measured commerce essay



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Culture is a wide concept whose definition may vary depending on the discipline it comes from, and many litterateurs have attempted to give it a precise and unique definition, which could be taken as valid in every field, always in vain.

This essay will dwell upon the significant role “ culture” plays in the global market, given that it is a vital element not to be neglected for a successful career when doing business abroad.

Academics of various subjects, especially anthropologists, have been wondering about the definition of culture for decades, with the result of conveying plenty of explanations about its core and how it is perceived among populations. As already said, while this notion has been quested and analysed throughout the anthropological field, it had been widely disregarded in other fields (Taras & Steel, 2009). The first intellectual who moved his analysis of culture to the market sector was Geerte Hofstede (Taras & Steel, 2009). Thus, this article’s intention is to focus on a different approach to culture, i. e. how cultural difference is able to affect marketing operations around the globe.

Firstly, this text will go through Hofstede’s method (1980) and elucidate why, despite being a broadly criticised model, it still remains the most relevant reference work for cross-cultural successive analysis. Secondly, it will compare and contrast the famous concepts of Hofstede, Trompenaars and Hampden – Turner and Schwartz Value Inventory. Subsequently, the article will try to give empirical evidence of how culture diversity affects the markets of the whole planet by providing the example of various cultural

clashes of a famous American fast food company in three different Asian countries.

## **Hofstede's model: Lots of criticism but still the most used in the world**

Hofstede's model of cultural dimensions (Hofstede, 1980) was a pioneering method elaborated in order to measure cultural distance. It was developed during the late 70's after an attentive examination of work-related values in the IBM employees in 40 countries (Lee & Carter, 2012). As the first model ever created, all subsequent studies relate to it, by evaluating, comparing, analysing and obviously criticising e. g. " Hofstede's model of national cultural differences and their consequences: A triumph of faith – a failure of analysis" (MacSweeney, 2002). Among all those aforementioned relations to the study, criticising is the one which most drew the attention of the people who approached Hofstede's research. Nonetheless, there are also some scholars which take Hofstede's side and question MacSweeney's fallacious presuppositions, by thoroughly analysing his work and by pointing out his main misunderstandings; MacSweeney's critique lacks consistency in terms of clarification about the paradigm he uses to confute Hofstede's cultural research. (Williamson, 2002).

Despite being a source subjected to pure criticism, " the work of Geert Hofstede, a Dutch organizational anthropologist, is perhaps the most widely used and accepted approach to cross-cultural analysis" (Lee & Carter, 2012, p. 130). Hofstede's work is still considered to be the most exhaustive and easy-to-understand study of cultural diversity (Holden, 2003).

Culture is a broad concept and its definition may vary depending on the context it is related. In fact, it was argued that conceptualising such a wide topic like culture and apply it to every random context could be considered quite presumptuous, surely awry and “ as a misguided attempt to measure the unmeasurable” (MacIntyre, 1961; Smelser, 1992 cited in MacSweeney 2002, p. 90). As a consequence of what just asserted, Hofstede’s research was accused of being carried out only in one field and, besides, in a non-market field in which the test persons of IBM were not examined as consumers, negotiators or market intermediaries (Holden, 2003). Afterwards, because its data collection dates back to the late 70’s, it was claimed the impossibility of implementation in a plausible current market scenario. Hence, it was judged as out of date, considering that the society had changed (2003). Furthermore, it is bizarre that the most used investigation related to global marketing operations in the world has been written by an anthropologist who has nothing to do with being a real marketer (2003). Although these understandable criticisms, Hofstede’s work *Culture’s Consequences* (1980), cited more than 5000 times, still remains the most accepted and utilised method in the cross-cultural analysis.

### **Hofstede’s model in comparison and contrast with Trompenaars and Hampden – Turner and Schwartz Value Inventory**

The data, vital for the elaboration of the model, was collected during a certain laps of time and both Hofstede and Trompenaars and Hampden – Turner extrapolated their data from questionnaires distributed among workers, with a tiny difference though: Hofstede opted for employees of a

specific company, whereas Trompenaars and Hampden – Turner for managers of various organisations (Dahl, 2004). Expanding the research into different companies could have been a notable advantage, because it allowed the study to get different perspectives from the respondents. In terms of question typology, Hofstede, as previously stated, decided to ask people about precise work-related value questions, while Trompenaars and Hampden – Turner did not only concentrate on the work situation but on the leisure one as well (2004). In any case, they both questioned their actors about preferred state and behaviours. Unlike the other two researches, Shalom Schwartz with his Schwartz Value Survey (1992) took a different questioning approach and asked 60, 000 people from 63 countries to appraise 57 values as “ guiding principles of one’s life”. (Lee & Carter, 2012).

Schwartz’s method (1992), unlike Hofstede (1980) and Trompenaars and Hampden – Turner (1998), gives a different vision by evidently separating the “ individual-level” from the “ cultural-level” analysis and by differentiating value types from value dimensions (Dahl, 2004). As a result, Schwartz method allowed to “ create” a category as a value dimension by take into consideration one of the value type identified by the respondent and its opposite value type. The cultural-level and individual-level analysis are separated and their data cannot be evaluated as a whole, i. e. knowing the actors’ individual values is not necessary to deduce the culture of each individual (Javidan et al). Hofstede used to call this assumption “ ecological fallacy” (Dahl, 2004). According to MacSweeney (2002), Hofstede did not used to make a differentiation between the meaning of culture at large and “ national culture”. He treated it as a “ nationally discrete part, core, a

nucleus” (MacSweeney, 2002, p. 92); in other words, he conceived it as a shared constituent of culture which is made of other different sub-cultures (MacSweeney, 2002). In order to remark Hofstede’s idea that a population within a nation, in a certain way, shares the same culture, MacSweeney gives an explicit example by declaring that Hofstede treats the country Great Britain as a single nation with a unique national culture. Regrettably, it is debated that Scotland, even though being inside Great Britain, does not have the equivalent culture of an English citizen. Unlike the aberrant supposition called “ ecological assumption”, both Hofstede and Trompenaars and Hampden – Turner accept the so called “ onion assumption”, which has layers to be peeled off (Dahl, 2004), that explains why “ knowing values in a culture tell us what actually happens in that culture” (Javidan et al, p. 899). Yet, a substantial difference lies in the conception of this onion-like model, i. e. Hofstede conceives it as four layers onion, whereas Trompenaars and Hampden – Turner fantasise it as a only two layers onion. Still, in spite of the different cognition of the onion, both Hofstede’s and Trompenaars and Hampden – Turner’s methods represent the same concept as Cowley and Hanna (2005) assert:

The objective of this unit was to learn to exfoliate the perceptible manifestations of culture (“ artefacts and products”), to peel away the layer of “ norms and values”, to discover the core.

The most emblematic diversity from these two models is that Hofstede’s study investigates through the values of the respondents, while

Trompenaars and Hampden – Turner is more focused on their behavioural attitudes both in work and recreation moments (Lee & Carter 2012).

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Another comparison can be made in terms of identification of some given value dimensions. Hofstede identified four (with a later fifth in addition) (Hofstede, 2001?), the Schwartz Value Inventory classified ten value types and four main value dimensions and finally Trompenaars and Hampden – Turner categorised ten. All these results can be associated and most of them seen as parallel in concept terms, e. g. Hofstede's " Power distance" bears a resemblance to Trompenaars and Hampden – Turner's " Achievement vs. ascription" (Lee & Carter, 2012). In addition, another dimension might be considered almost identical: " Communitarism vs. individualism" of Trompenaars and Hampden – Turner with " Individualism vs. collectivism" of Hofstede (2012).

In his work, Hofstede wanted to create a valid framework which was able to classify and distinguish different cultures, and to be aware of potential cultural collisions within a business environment. Thus, Hofstede's interpretation of culture envisages a tight correlation between an invisible level, values and a visible level in which these values manifest, in other words practices (Javidan et al).

## **Empirical evidence of cultural distance impact on global marketing operations**

Obviously, cultural distance is an issue that affects large companies which are able to broaden the horizons and look for great fortune abroad. Start setting new investments into a foreign market requires a high volume of money and that is why only great organisations can afford such a treacherous move. Why treacherous? A foreign market can absolutely be as

profitable as disadvantageous, depending on how much companies take the cultural factors into account.

According to Pankaj Ghemawat, (2001) economist and global strategist at the IESE Business School of Barcelona, graduated at Harvard University, many companies are so attracted by foreign markets that sometimes they underestimate the financial threat they are running into.

Following, the article is going to present a clear example of how the Asian culture shaped the business of a worldwide company like McDonald's. It will go through all the changes the company had to make in three different countries: Japan, Hong Kong and China.

According to what Harris P. (Managing Cultural Difference, 2002) wrote, there is a big gap between the western culture and the eastern one. Through this table (Figure 1), it is quite self-explanatory in what the main principles differ one from another and what the American fast food company McDonald's had to be aware of when moving its brand to Asia:

(Figure 1)

When people think about McDonald's, the first word crossing their mind might be "standardization". Hofstede (1980) would have thought of "organizational culture" instead. McDonald's is the emblematic example of a company which aims at keeping the same level of quality, cleanliness, customer service, food taste and value. Its main strengths rely on fast service and standard taste of the food, and these have demonstrated to be very profitable in the western market. Unluckily, Asian people were not used



to having lunch or dinner in a dozen of minutes, for this reason McDonald's had to cogitate a strategy to get customers and make profit. Referring to Hofstede's classification of power Distance countries worldwide (geert-hofstede. com), Japan has been rated as one of the countries with the lowest score (55), which means it is less inclined to accept a high organizational culture as McDonald's. Nonetheless, the famous fast food company, thanks to some strategies, managed to succeed and survive the Nippon market. First issue of the organisation was that the Japanese society is famous for eating rice during the day as a " filling" meal. Because of that, McDonald's introduced new products made of rice in the market, like Chinese fried rice, curried rice with chicken and fried egg burger. Thanks to the lanching of these new products the company managed to be taken into consideration from the Japanese society. Secondly, in Japan, such as in other countries like Italy or Spain, there is an elevated sense of commensality, something which is not included in the McDonald's brand. Notwithstanding, the company had to do something to get around this cultural problem and, as a result, it started furnishing its restaurants with tables and chairs where Japanese could eat and spend some time together as being home. Finally, another problem arose when the Japanese society regarded the typical hamburger as snack and not as a whole meal. McDonald's implemented a good strategy by taking this misleading perception and converted it into an advantage to create then a place suited for young people who want to get a fast meal and chill out for a while. (McDonald's in Japan, 2009)

The situation slightly changed in the state of Hong Kong. According to Hofstede's chart of Power Distance countries, Hong Kong has been rated a

little bit more than Japan (68) which, as a consequence, described this country as more “open” to a centralized organization as the American McDonald’s. In fact, People of Hong Kong were already familiar with a market fast food conception, but despite this, McDonald’s was doubtful about spreading its company’s values onto this Asian market. McDonald’s first step was to leave the sign of the company in its original language without any translation, and in addition the founder of the restaurant in Hong Kong, Daniel Ng, opted for a smart solution which consisted of transliterating the name. Transliteration is a good strategy to avoid a cultural translation issue. It renders the English sound of the word into Chinese characters, without running into the problem of translating the meaning of the word. It would be a tough task to avoid. The strength McDonald’s used, relied on not imposing the company’s values to the locals, but on shaping its organizational culture in order to get approval from them (McDonald’s in Hong Kong, 2009).

China, in Hofstede’s Power Distance chart (1980), has been rated with a very high score (80), therefore McDonald’s problems had got nothing to do with the adaptation of a centralized organizational culture. What happened in Beijing was the emblem of cultural difference a big organisation such as McDonald’s must take into account: Despite having accessed the Chinese market, McDonald’s was not able to clearly convey the values of its work to the locals, and for this reason could not get rid of the competition. Chinese people, even though were familiar with the fast food chain, did not consider it part of their cuisine culture. After years, they kept seeing it as an American brand in Chinese territory. Hence, this was not an advantage at all.

Ideological, political and economic differences were an obstacle for an

American brand which was operating in the Chinese market. The resolution to this issue lied on the fact that the organisation had to start blending more with the local culture, avoiding to stress firmly its “ Americanism”.

Understood so, McDonald’s began to introduce Chinese traditional food in its menu in order to show the Chinese population its inclination to respect and use the territorial food culture. In addition, all the restaurants were decorated with Chinese paper-cuts design. This way, customers commenced to trust the brand and see it from a different perspective. This is the same path KFC had to follow to be a very profitable company in the Chinese market nowadays (KFC and McDonald’s – a model of blended culture, 2004).

## **Conclusion**

The aim of this article consisted in giving a brief analysis of the models used in cross-cultural distance in order to provide a general understanding. The essay has taken exactly three methods into consideration: Hofstede’s, Trompenaars and Hampden – Turner and Schwartz Value Inventory. Their investigation is all about identifying cultural differences among people who live in different part of the globe and the usage it has been done with these methods is the most relevant feature this article wants to point out. Big organisations which operate in different countries have to study and analyse the culture of the place they would like to settle in, because culture is the key to be successful, increasing popularity and cash flows. These companies, such as McDonalds’s, make use of the cross-cultural distance methods in order to evaluate all the cultural factors they could be running into and be prepared to overcome them easily with an effective strategy implementation.

To sum up, these models are vital for a company which sets its investments outside the borders of its country and