4. CULTURAL ENVIRONMENT
What is Culture?

Typology of Culture

Culture in Business
Typology by E.T. Hall: High- and Low-Context Culture

**High Context**
- Establish social trust first
- Personal relations and goodwill are valued
- Agreements emphasize trust
- Negotiations are slow and ritualistic

**Low Context**
- Get down to business first
- Expertise and performance are valued
- Agreements emphasize specific, legalistic contract
- Negotiations are as efficient as possible

Countries:
- Chinese
- Korean
- Japanese
- Vietnamese
- Arab
- Spanish
- Italian
- English
- North American
- Scandinavian
- Swiss
- German
Deal vs. Relationship Orientation

- In deal-oriented cultures, managers focus on the task at hand, are impersonal, typically use contracts, and want to just “get down to business.” Examples: Australia, Northern Europe, and North America.

- In relationship-oriented cultures, managers value affiliations with people, rapport, and getting to know the other party in business interactions.
  - Relationships are more important than individual deals.
  - Trust is much valued in business agreements.
  - Examples: China, Japan, Latin American countries.
Guanxi: Important in Business in China

• Refers to social connections and relationships based on mutual benefits.

• Emphasizes reciprocal exchange of favors as well as mutual obligations.

• Rooted in ancient Confucian philosophy, which values social hierarchy and reciprocity.

• Engenders trust, thereby serving as a form of insurance in a potentially risky business environment.
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition</th>
<th>Values of the society</th>
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</thead>
<tbody>
<tr>
<td>Individualism vs. collectivism</td>
<td>Whether a person primarily functions as an individual or within a group</td>
<td>People’s self-image as “I” vs. “We”</td>
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<tr>
<td>Power distance</td>
<td>Inequalities in power that exist among people</td>
<td>Acceptance of the inequality formal authority and sanctions</td>
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<tr>
<td>Uncertainty avoidance</td>
<td>The extent to which people can tolerate risk and uncertainty in their lives</td>
<td>Should we try to control the future or just let it happen?</td>
</tr>
<tr>
<td>Masculinity vs. femininity</td>
<td>Society’s orientation based on traditional male and female values</td>
<td>“Competition, achievement and success” vs. “Caring for others and quality of life”</td>
</tr>
<tr>
<td>Long-term vs. short-term orientation</td>
<td>The degree to which people defer gratification to achieve long-term success</td>
<td>Pragmatic vs. Normative</td>
</tr>
<tr>
<td>Indulgence vs. Restraint</td>
<td>the extent to which people try to control their desires and impulses</td>
<td>Cynicism, pessimism and less emphasis on leisure time by restrained cultures</td>
</tr>
</tbody>
</table>

More on [https://www.pinterest.com/drkardes/ch-4-culture/](https://www.pinterest.com/drkardes/ch-4-culture/)
Power Distance

The boss

Western Culture

Eastern Culture

Source: East Meets West: An Infographic Portrait by Yang Liu

More on https://www.pinterest.com/drkardes/ch-4-culture/
Hofstede’s Typology of National Culture

- Power Distance: China* 80, United States 40
- Individualism: China* 91, United States 20
- Masculinity: China* 66, United States 62
- Uncertainty Avoidance: China* 30, United States 46
- Long Term Orientation: China* 87, United States 26
- Indulgence: China* 24, United States 68

Source: http://geert-hofstede.com

More on https://www.pinterest.com/drkardes/ch-4-culture/

Dr. Ilke Kardes

BUSA 3000
THE WORLD ACCORDING TO AMERICANS 2012
from Yanko Tsvetkov’s Atlas of Prejudice
www.alphadesigner.com
What is Culture?

Typology of Culture
Cross-cultural risk. A situation or event where a cultural miscommunication puts some human value at stake. It arises in environments characterized by unfamiliar languages and unique value systems, beliefs, and behaviors.

- Cultural differences
- Negotiation patterns
- Decision-making styles
- Ethical practices

Cross-Cultural Risk

Risks in IB

Commercial Risk

Country Risk

Financial Risk
Cultural Differences

Negotiation Patterns

Where Mexicans are friendly and emphasize social relations, Americans are assertive and get down to business quickly.

Decision-Making Styles

Japanese take considerable time to make important decisions. Canadians tend to be decisive, and ‘shoot from the hip’.

Ethical Practices

Bribery is relatively accepted in some countries in Africa, but is generally unacceptable in Sweden.

Video: Mistakes Americans make with world cultures
## Impact of Culture on Negotiation

### Negotiation Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Contract</th>
<th>Informal</th>
<th>Direct</th>
<th>Indirect</th>
<th>High</th>
<th>Low</th>
<th>General</th>
<th>Top Down</th>
<th>Consensus</th>
<th>Low</th>
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<td>Goal</td>
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<td>Personal Styles</td>
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<td>Emotionalism</td>
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<td>Agreement Form</td>
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<td>Agreement Building</td>
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Perceptions of Time

**Monochronic** -- A rigid orientation to time, focus on schedules, punctuality, time as a resource, time is linear, “time is money”. Example: U.S.

Source: East Meets West: An Infographic Portrait by Yang Liu

**Polychronic** -- A flexible, non-linear orientation to time, a long-term perspective, time is elastic, toleration on long delays, importance on relationships rather than punctuality. Examples: Africa, Latin America, Asia.

More on [https://www.pinterest.com/drkardes/ch-4-culture/](https://www.pinterest.com/drkardes/ch-4-culture/)
Video Session: Culture differences by HSBC

http://www.youtube.com/watch?v=mUCODUvKbzE

http://www.youtube.com/watch?v=WcEfzHB08QE&feature=related
Culture and Product Development

Meet Japan's high-tech toilets - CNBC International
Managerial Guidelines for Cross-Cultural Success

Key personality traits
- Understanding
  - values and lifestyles
  - country background
  - local language

Key personality traits
- Tolerance for ambiguity
  - Perceptiveness
- Valuing personal relationships
  - Flexibility and adaptability

Acquire knowledge about the other culture

Avoid cultural bias (ethnocentric assumptions)

Develop cross-cultural skills

Key personality traits
- Being aware of self-reference criterion
  - Critical incident analysis
- Adapting a geocentric view
- Cultural intelligence

Dr. Ilke Kardes
BUSA 3000
Diagnosing Your Cultural Intelligence

- These statements reflect different facets of cultural intelligence. For each set, add up your scores and divide by four to produce an average.
- Generally, an average of less than 3 would indicate an area calling for improvement, while an average greater than 4.5 reflects a true CQ strength.

Rate the extent to which you agree with each statement, using the scale: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>It's easy for me to change my body language (for example, eye contact or posture) to suit people from a different culture.</td>
<td>_____</td>
</tr>
<tr>
<td>I can alter my expression when a cultural encounter requires it.</td>
<td>_____</td>
</tr>
<tr>
<td>I modify my speech style (for example, accent or tone) to suit people from a different culture.</td>
<td>+ _____</td>
</tr>
<tr>
<td>I easily change the way I act when a cross-cultural encounter seems to require it.</td>
<td>_____</td>
</tr>
</tbody>
</table>

Total _____ ÷ 4 = [Physical CQ]

<table>
<thead>
<tr>
<th>Statement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have confidence that I can deal well with people from a different culture.</td>
<td>_____</td>
</tr>
<tr>
<td>I am certain that I can befriend people whose cultural backgrounds are different from mine.</td>
<td>_____</td>
</tr>
<tr>
<td>I can adapt to the lifestyle of a different culture with relative ease.</td>
<td>_____</td>
</tr>
<tr>
<td>I am confident that I can deal with a cultural situation that's unfamiliar.</td>
<td>+ _____</td>
</tr>
</tbody>
</table>

Total _____ ÷ 4 = [Cognitive CQ]

<table>
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<tr>
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<tbody>
<tr>
<td>I have confidence that I can deal well with people from a different culture.</td>
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<tr>
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<td>+ _____</td>
</tr>
</tbody>
</table>

Total _____ ÷ 4 = [Emotional/motivational CQ]


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Case: Managerial Decision

The legislation limiting the ownership by foreign companies to 20 percent of Russian media holdings was signed by President Vladimir Putin in October last year (2014). Previously, foreigners could own up to a 50 percent stake in Russian television and radio, while there were no restrictions for print media and online editions.

Media companies with long-term plans to operate in Russia are seeking ways to adapt to the law, and several companies have already changed their ownership structure in line with the legislation.

Major foreign media holdings are leaving the Russian market.

>> For example, the German publishing group Axel Springer, which controls Forbes, OK! and GEO magazines, is selling its Russian assets.

>> For example, U.S. media giant Discovery Communications set up a joint venture with its Russian partner, National Media Group.

Source: The Moscow Times 2015, "Foreign Publishers Quit Russia Over Media Ownership Law," Sep 9

More on https://www.pinterest.com/drkardes/ch-4-culture/
## Case: Perceived Cultural Attributes of Mexico and the U.S.

<table>
<thead>
<tr>
<th>DIMENSION</th>
<th>MEXICO</th>
<th>UNITED STATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of context</td>
<td>High context culture, emphasizing social trust, personal goodwill, and</td>
<td>Low-context culture, emphasizing efficiency, explicit communications, and “getting down to business”</td>
</tr>
<tr>
<td></td>
<td>ritualized business</td>
<td></td>
</tr>
<tr>
<td>Individualism versus</td>
<td>Relatively group oriented, as reflected by an emphasis on extended</td>
<td>Relatively individualistic, emphasizing personal freedom and typically a</td>
</tr>
<tr>
<td>collectivism</td>
<td>families and teams. Loyalty to the group is valued.</td>
<td>preference for working alone. Group loyalty is less valued.</td>
</tr>
<tr>
<td>Time orientation</td>
<td>Fluid and polychronic. Long-term relationships are valued. Mexicans</td>
<td>Rigid and monochronic. Business is short-term oriented and emphasizes profit</td>
</tr>
<tr>
<td></td>
<td>emphasize the past and believe they have little control over the future.</td>
<td>above all else. Americans believe they can control the future.</td>
</tr>
<tr>
<td>Space perceptions</td>
<td>Conversational distance is close. Personal space is less valued.</td>
<td>Conversational distance is ample. Personal space is highly valued.</td>
</tr>
<tr>
<td>Religion</td>
<td>Christianity is very influential in daily life, and often in business.</td>
<td>Americans’ religious orientation has declined over time.</td>
</tr>
</tbody>
</table>

## Case: Perceived Cultural Attributes
Mexico and the U.S. (cont’d)

<table>
<thead>
<tr>
<th>DIMENSION</th>
<th>MEXICO</th>
<th>UNITED STATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Language</td>
<td>Spanish dominates, with relatively little diversity of language</td>
<td>While English dominates, there is much linguistic diversity</td>
</tr>
<tr>
<td>Negotiations</td>
<td>Tend to progress slowly. Decisions take much time. Excessive legalism is avoided in agreements.</td>
<td>Emphasis on efficiency and quick decision-making. Agreements are often legalistic.</td>
</tr>
<tr>
<td>Business meetings</td>
<td>Arriving late is acceptable. Meetings are informal and usually don’t follow a strict agenda.</td>
<td>Americans are time-oriented, arriving promptly to meetings, which often follow a formal agenda.</td>
</tr>
<tr>
<td>Superior-subordinate relations</td>
<td>Firms are hierarchical, with much power distance. Employees expect guidance from upper managers, who are relatively authoritarian.</td>
<td>Relatively low power distance. Firms are “flatter”, with less hierarchy. Relations with superiors are relatively informal and easy-going.</td>
</tr>
<tr>
<td>Style of dress</td>
<td>Management dress code is conservative, emphasizing dark suits. High-status personnel are expected to dress the part.</td>
<td>In most industries, dress is less formal. Business casual is widely accepted. Managers less concerned about projecting status through dress.</td>
</tr>
</tbody>
</table>

GUARDED: Interior Ministry members stood guard as Muslims attended an Eid al-Adha, or the Festival of Sacrifice, mass prayer in Moscow. Oct 15, 2013
Key Takeaways: Chapter 4

✧ **Dimensions** of culture: Socialization and acculturation
✧ **Demonstration** of culture: Values, attitudes, perceptions, manners and customs.
✧ **Culture typologies:**
  - High vs. low context culture
  - Individualism vs. collectivism, power distance, uncertainty avoidance, masculinity vs. femininity, long- vs. short-term orientation.
✧ Cultural differences create **cross-cultural risk** for multinationals.
✧ Culture affects many managerial tasks, including:
  - Developing products and services
  - Preparing marketing activities incl. advertising and promotional materials; overseas trade fairs and exhibitions
  - Communicating, interacting and negotiating with foreign partners/distributors
  - Interacting with current and potential customers from abroad
  - Human resource practices such as teamwork, organizational structure, payment, union-management relationships, etc.
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