Cultural Value Dimensions and Implications for International Management

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Abstract: This paper identifies the cultural value dimensions as defined by Hofstede and the implications they hold for international management. The goal is to establish an understanding of the importance of culture for the management of foreign operations. The four cultural value dimensions being discussed are individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity. Culture has serious implications on the attitude, behavior and value of employees and therefore on management practices and theories. The paper discusses the aspects of each of the four dimensions and how the underlying cultural attributes affect employee and organizational behavior. Difficulties of the cultural differences on the foreign operation are outlined.

Keywords: Culture, Hofstede, individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity.

1. Introduction
The international business world is changing and it is changing very fast. Companies that do business internationally do encounter a number of issues. For a company to be successful internationally, managers must understand and deal with those issues. There are many differences in the foreign environment that affect international business interactions or the operation of a subsidiary in a foreign country. Differences naturally occur between countries as no two environments are identical. An important factor or issue that is often underestimated in foreign operations is culture. Before engaging in international business transactions managers often evaluate the host country’s political, economic, legal, and competitive environment. Culture though is often undervalued despite the fact that it makes up a country’s society and influences the other environmental factors.

Culture is difficult to define and measure (Sliburye, 2005) therefore it needs to be given detailed attention. To explain and for managers to understand the differences in national cultures, researchers have developed various measures (Hofstede, Hofstede, & Minkov, 2010; Rokeach, 1973; Javidian & House, 2001). Since culture includes beliefs, morals, laws, customs, opinions, religions, superstitions, and art it basically affects all aspects of a society (Dodor, & Rana, 2007). Culture has serious implications for the management of foreign operations, therefore the culture needs to be evaluated and understood before entering the country to ensure maximum success (Najera, 2008). Hofstede (1984) gave culture a common structure by defining four primary dimensions, individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity. Looking at the four dimensions help to understand a nation’s culture and the implications it holds for international management. While the dimensions can give relevant information about a country’s culture, they are only a summary of the complex cultural system defining a nation.

Culture can only be fully understood when studied extensively (Hofstede, 1984). Managers engaging in international business, whether in cross-border communication, negotiations, exporting/importing, or subsidiary management, should be aware of the cultural differences and cultural systems underlying a foreign country.

Two of the most widely used value surveys in business research are the studies by Hofstede (1980) and the GLOBE Study by Javidian & House (2001). This current study will focus more on Hofstede’s four cultural dimensions. The purpose of this study therefore is to look at the four cultural value dimensions defined by Hofstede and what implications they hold for international management.

2. Importance of Culture and International Management Implications
Culture has been defined in many different ways. The multiple definitions are due to the difficulty to assess and measure culture. Culture is found in all aspects of a society and can only be fully understood after extensive study (Hofstede, 1984). Hofstede (1984) defines culture as the “collective programming of the mind which distinguishes the members of one group or society from those of another” (p. 82). Dodor and Rana (2007) indicated that culture is the “whole complex of distinctive spiritual, material, intellectual and emotional features that characterize a society or social group (p. 77). Chiang (2005) uses an explanation by Schein where “culture is said to be reflected in an individual’s most basic, consciously and unconsciously held assumptions, beliefs, norms, and values” (p.1543). Ball, Geringer, Minor, and McNett (2010) define culture as the “sum total of beliefs, rules,
techniques, institutions, and artifacts that characterize human population” (p.138). Despite the various definitions, most anthropologists agree on four basic facts: (1) Culture is learned, not instinctive, (2) The various aspects of culture are interrelated, (3) Culture is shared, and (4) Culture defines the boundaries of different groups (Ball et al., 2010). Culture defines a nation and includes all aspects of society, such as language, art, music, religion, attitudes, beliefs, morals, laws, customs, opinions, superstitions, and gestures. Culture is complex as each country has subcultures and different groups within a society can have varying cultures (Hofstede, 1984). Even though no two countries’ cultures are identical there are elements of structure in the various cultural systems. Geert Hofstede, a social psychologist, studied various cultures to find a structure in the various cultures. He identified the common elements and paired them in four distinctive dimensions: individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity. Although the culture of countries is different they can have basic similarities. While Hofstede’s work has been cited substantially and had a tremendous impact on cross-cultural studies and international business research, it has also received much criticism (Kirkman, Lowe, & Gibson, 2006; Earley, 2006; Javidan, House, Dorfman, Hanges, & Sully de Luque, 2006; Orr, & Hauser, 2008; Smith, 2006). A major point of criticism is the method of data collection as only one measurement tool was used and not a multi-method research design (Triandis, 1982). Another criticism points to the fact that Hofstede’s findings are generalized as survey results were collected from only one large multinational corporation, IBM (Chiang, 2005). Additionally the results are said to be subjective with the majority of respondents being male, middle class, and occupied in marketing and servicing (Chiang, 2005). Since culture is so diverse and has many aspects it is hard to accurately form a structure that will equally apply to all countries. But Hofstede’s cultural dimensions should merely be used as a basic guideline to evaluate similarities and differences between nations. Hofstede’s dimensions are rated on a scale from 0 to 120. A higher score is indicative of individualism, large power distance, strong uncertainty avoidance, and masculinity. Hofstede selected these dimensions due to the importance for work behavior. In addition to cultural research the dimensions can help to understand why and how people behave the way they do (Chiang, 2005).

The understanding of culture is important for management as it determines human behavior and the way employees think, feel, and act at work (Najera, 2008). According to Hofstede (1984, p.81) management is defined as “the coordination of the efforts of people and of the use of economical and technical resources in order to obtain desired ends.” In order to coordinate people they first have to be understood in terms of their values, beliefs, and behavior. Management within one culture is relatively easy as the population shares the same basic cultural traits but when management crosses borders the whole aspects becomes more difficult. The importance of culture is often not even noticed in the home environment as it is a natural part of society. “For organizations, the effects of culture are witnessed or manifested in employee attitude and behavior, such as communication, leadership, performance, motivation, and satisfaction” (Chiang, 2005, p.1546). Engaging in international business interactions makes the differences of culture obvious. Home country management principles are not easily applied in a foreign environment, since those theories reflect the home country’s culture (Matic, 2008). With increased globalization and cross-border business interactions management is more challenging. Work values are influenced by culture and are important for the management of an organization (Matic, 2008). Applying foreign management principles therefore often contradicts with a country’s work values. The culture and work values need to be understood in order to successfully manage a foreign operation. The cultural dimensions can affect hiring practices, job motivation, business relationships and employee-employer interaction.

The study now discusses the four cultural dimensions by Hofstede.

3. Individualism vs. Collectivism

Kagitcibasi, (1987) suggested, “individualism and collectivism constitute probably the most important dimension(s) of cultural differences in social behavior” (p.76). Individualism and collectivism describes the degree of interdependence a society maintains among individuals (Hofstede, 1984). It refers to the basic idea of “I” or “we”. According to Hofstede (1984, p.83) individualism is a “loosely knit social framework in society wherein individuals are supposed to take care of themselves and their immediate families only” while collectivism is a “tightly knit social framework in which individuals can expect their in-group to look after them in exchange for unquestioning loyalty.” In individualistic societies personal performance is most important along with the own responsibility and individual rights. Ties between individuals and organization are relatively loose and people primarily take care of themselves (Sliburyte, 2005). Everybody works for themselves and their own good. In collectivistic societies the opposite is true. Individuals work in groups to reach certain goals. The groups’ aspects are more important than the individuals’ work, ideas, and beliefs. Decisions are made in consensus with the group and not on individual basis (Sliburyte, 2005). On Hofstede’s scale a low score is indicative of collectivism while an increasingly higher score presents individualistic tendencies. A lot of research has been conducted on this particular dimension (Triandis 2004; Trompenaars & Wollfians, 2003; Triandis & Suh 2002; Bond, Leung, & Wan 1982; Gudykunst et al., 1992).

A country’s individuality affects the people’s work values and therefore management theories and practices. Individualistic societies compared to collectivistic ones react to different motivational factors, rewards systems, and management techniques. The difference is especially prevalent in the management of organizations. That is, in individualistic societies the focus is on the individuals while in collectivistic societies, the focus is on the groups (Sliburyte, 2005). Companies engaging in business activities with individuals from the opposite spectrum of the individuality scale will experience different behavior, which might affect communication and management. Individualistic societies are motivated by self interest and collectivistic societies by group interests (Hofstede, 1984). The difference affects the way people are motivated and are successfully rewarded. According to Chiang (2005) rewards are perceived differently across cultures, which in turn affect the degree of motivation resulting from certain rewards. Giving the self and group interests, workers from individualistic societies will likely respond better to rewards based on individual performance and accomplishment, while collectivistic workers might respond better to rewards based on the achievement of the group. Gatley, Lessem, and Altman (1996) determined that in individualism, policies and practices are based
on the promotion of individual achievement and promotion should be based on individuals’ accomplishments. In collectivism, policies and practices are based on a sense of duty and loyalty, and promotion is done on ascriptive criteria (Gatley et al., 1996). It is most important to be aware of these cultural differences when setting up a subsidiary in a foreign country and working with cultural diverse workers. But to really understand the workers’ motivation and favored rewards, it would be best to find out first hand by conducting a survey or communicating with the employee. Knowing the employees and trying to understand the culture is the key to success. Even though collectivism favors group interests, this does not mean that employees do not want to achieve personal accomplishments and might respond positively to individual-based rewards.

A difference that strongly affects business relationships between individualistic and collectivist societies is the way those relationships are formed. In individualism the task is most important and business partners should be treated alike (Hofstede, 1984). According to Gatley et al. (1996) in individualistic societies universalist contractual transactions determine work and business activity. In contrast, collectivists focus on relationships and trust (Hofstede, 1984). When entering or engaging with collectivist cultures much time needs to be spend on building relationships and gaining the trust of important business people. The process of establishing a foreign subsidiary in a collectivistic nation could therefore take longer than in an individualistic country. Relationships should be established from the first minute of the venture. The establishment of relationships in collectivist cultures often includes gift-giving and rendering of services (Hofstede, 1984). This is another profound difference between individualism and collectivism, as the former is often considered bribery in individualist societies (Hofstede, 1984). This topic has to be approached carefully from both sides. Companies from collectivistic cultures that are engaging in business activities with individualist nations should be careful not to engage in inappropriate behavior which could result in legal actions. The same holds true for companies from individualistic cultures that enter a collectivist nation, as without bribery the business relationships could be difficult but too much bribery could result in negative press and legal action in the home country. The informal norms regarding bribery in the collectivist country should be followed to determine the appropriate scope of gift-giving.

Another aspect of difference between individualistic and collectivist societies is the role of the family in the workplace. As Gatley et al. (1996) points out the work life and private life is strictly separate in individualistic nations. Work and private life is not mixed such as through the employment of relative members. In collectivist societies the opposite is true. Work and private life is often closely related (Gatley et al., 1996). It is not uncommon for relatives to work in the same company and recruiting of family members is often encouraged (Hofstede, 1984). Hiring family members is seen as deepening the employees’ loyalty to the company. This difference in hiring practices can cause difficulties when opening foreign operations. Individualist operating in a collectivist nation should be aware of this difference. Continuously turning down family members for filling vacant positions can lead to reduced loyalty to the company. For companies operating in a foreign environment this might even present a good source of recruiting, but attention should still be paid to qualifications and formal job openings should be posted.

4. Power Distance

Hofstede (1984) defines power distance as the extent to which the members of a society accept that power in institutions and organizations is distributed unequally. People in societies with larger power distance simply accept the hierarchical order and do not question their position within society. They accept that power is distributed unequally. In contrast individuals within small power distance societies question the distribution of power and attempt to reach power equalization. They do not accept their position in society but strive for more power (Hofstede, 1984). On Hofstede’s scale the higher the score the larger the power distance is within one country.

The difference in power distance affects the way employees interact and influences the employee-employer relationship. It also affects management styles and the amount of rules and employee responsibility. The degree of hierarchical order is also dependent on low or high power distance. The difference in power distance is visible in the organizational design and control. When the degree of power distance is fairly larger there is a strict separation between the power and responsibility of superiors and subordinates (Slisburyte, 2005). This can be seen in the organizational pyramids with a taller structure in high power distance nations and a flatter structure in low power distance countries (Gatley et al., 1996). High power distance countries have more levels of management and the responsibilities are strictly divided. Gatley et al. (1996) found that there is a higher amount of supervisors in the workplace. This leads to centralized decision making (Gatley et al., 1996). Superiors hold the power and authority and decisions are made on the management level without consulting the employees. Subordinates do not question the authority but follow the superiors’ directions. When opening a foreign subsidiary in a high power distance country superiors from low power distance nations should be aware that the different degree of power distance will affect the organizational design and hierarchy. Management should establish more levels of supervisors than they might be used too and give strict directions to employees. Management should not rely too much on the input from employees as they might feel uncomfortable and unsure about their role. More responsibility could certainly be given to employees with strict directions and procedures. In low power distance nations, authority is less concentrated and decision making is mainly decentralized (Gatley et al., 1996). It is therefore fair to say that the power is rather equally distributed among the members of society (House, Javidan, Hanges, and Dorfman, 2002). Individuals within the company carry more responsibilities and there are fewer supervisors in the workplace (Gatley et al., 1996). Employees like autonomy and to be involved in the decision making process. Superiors often consult employees before making decisions (Slisburyte, 2005). For companies from high power distance countries, the difference in power distance certainly presents a challenge when establishing a foreign subsidiary in a low power distance country. Establishing centralized decisions making and a tall hierarchy can lead to decreased job satisfaction and conflict with employees. Workers might question the authority and power of the superiors. Adjusting to a different organizational design and seeking the conversation with employees can help to overcome the differences of power distance.
Power distance influences the relationship between superiors and subordinates. Since in low power distance countries authority is less concentrated (Gatley et al., 1996) the relationship between superiors and subordinates is likely to be equal with less status difference (Hofstede, 1984). The salary range between the top and bottom is relatively small with low difference in qualifications and status (Gatley et al., 1996). All employees are basically seen as equal and subordinates do not display their power. Superiors often consult subordinates regarding decisions and input (Gatley et al., 1996). In high power distance countries the relationship between superiors and subordinates is very unequal. Superiors have more power and display their authority (Hofstede, 1984). There is a strong status and salary difference between top and bottom (Gatley et al., 1996). The relationship between superiors and subordinates in low power distance countries is likely to be friendlier often with a first name basis. In high power distance countries the relationship is likely to be distanced with formal addressing of superiors. When interacting with individuals from large power distance societies it is important to show respect for the position and status of the communication partner. Not following this practice can lead to difficult relationships.

5. Uncertainty Avoidance

Hofstede (1984) defines uncertainty avoidance as the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. High uncertainty avoidance societies are very uncomfortable with uncertainty. They maintain strict behavior and codes of belief (Hofstede, 1984). High uncertainty avoidance results in a high need for formal regulations and rules as individuals want to be in control (Sliburyte, 2005). Unexpected and unusual ideas are not tolerated well (Hofstede, 1984). In low uncertainty avoidance societies the atmosphere is more relaxed (Hofstede, 1984) as uncertainty is seen as irreducible (Sliburyte, 2005). Flexibility is more important than principles and control (Hofstede, 1984). Unusual ideas and people are often easily tolerated. On Hofstede’s scale a low score is indicative of low uncertainty avoidance and a high score of high uncertainty avoidance. Hofstede (1991) suggested “people in such cultures look for a structure in their organizations, institutions, and relationships which makes events clearly interpretable and predictable” (p. 116).

The degree of uncertainty avoidance influences the behavior of individuals and the amount of rules and procedures. Management practices, types of planning, and job motivation can also be affected by uncertainty avoidance. Since uncertainty avoidance influences the amount of rules and regulations necessary to guide behavior, organizations often reflect the degree of uncertainty avoidance. In high uncertainty avoidance societies the activities of employees are more structured with more organizational rules (Gatley et al., 1996). Organizations have more written rules and informal social codes to direct the behavior of employees. Employees feel more comfortable with set rules as Law and Order are important symbols (Hofstede, 1984). Organizations in low uncertainty avoidance societies have fewer rules and activities are less structured (Gatley et al., 1996). Individuals do not have the strong need for rules to guide their behavior. The degree of uncertainty avoidance is an important difference for managers as the foreign subsidiary might require different levels of formalization and standardization. When an organization from a low uncertainty avoidance society enters a country with high uncertainty avoidance the home country management practices are often ineffective because employees require more formal rules and standardization to guide their work and behavior. To be successful more rules and procedures need to be implemented to have an effective operation even though it might seem unnecessary and irritating to the foreign managers. In the opposite case, when a company from a high uncertainty avoidance society enters a country with low uncertainty avoidance, the rules and procedures should be loosened in order to be effective in the foreign country.

Managers plan differently depending on the level of uncertainty avoidance. In high uncertainty avoidance countries the managers are more involved in short-term and medium-term planning and scheduling (Hofstede, 1984). They are concerned with the details of the operation and much paid is put on planning in order to predict the uncertainties of the future (Gatley et al., 1996). This makes the decision making process slow. Also decisions are less likely to be made by one individual as they avoid risky decisions (Gatley et al., 1996). In countries with low uncertainty avoidance the managers are more flexible in their planning in order to accommodate possible changes (Sliburyte, 2005). The focus is mainly on strategic planning (Hofstede, 1984) and managers more easily make individual and risky decisions (Gatley et al., 1996). Taking these differences into account, when establishing a foreign subsidiary, requires certain adaptations. In high uncertainty avoidance countries detailed planning and structure should be implemented to give individuals the feeling of control. Strategic planning could certainly be implemented, but it might require more details and planning. When entering a low uncertainty avoidance country the strict structure and excessive planning could irritate workers and question their responsibilities. Managers should distance themselves from supervising the operation. Taking experienced local managers on board might help the foreign supervisors to make decisions.

6. Masculinity vs. Femininity

Masculinity/femininity is defined by Albaum (2003) as the extent to which differences between men and women are used in a society to define roles for the genders. Masculinity is characterized by assertiveness, achievement, heroism, ambition, and material success. In masculine societies the quantity of things is valued most (Hofstede, 1984). In Masculine societies individuals desire to be recognized for their performance and to gain increased earnings (Sliburyte, 2005). Feminine societies, in contrast value relationships, caring for the weak, modesty, and quality of life (Hofstede, 1984). Satisfying social needs is valued more than personal accomplishment (Sliburyte, 2005). On Hofstede’s scale a larger score is indicative of a masculine society whereas a lower score shows the society has feminine tendencies. Darley-Baah (2013) argues that “this type of culture tends to give the utmost respect and admiration to the successful achiever, who fulfills his ambition and demonstrates assertiveness and willingness to take risks in order to achieve goals, and top management positions are usually filled with men who tend to display characteristics of dominance and assertiveness which tend to be discouraged among women by societal gender norms” (p.42).
Like individualism/collectivism, this dimension refers to individuals’ self-concept. A society’s degree of masculinity affects the attitude of managers and their leadership styles. It also influences the types of conflict resolution and motivational factors. The work place atmosphere is also dependent on the degree of masculinity. Managers hold different attributes in masculine versus feminine societies. In masculine societies the managers ideals are leadership, independence, and self-realization (Gatley et al., 1996). Managers are the ones making decisions and resolve conflict with “combat” (Gatley et al., 1996). This gives managers a strong presence in the company and they have to proof their power in case of a conflict. This role can be identified as macho manager behavior (Hofstede, 1984). In feminine societies the focus is on social welfare and solidarity between people is more important than individual self-realization (Hofstede, 1984). Managers act out of intuition and are less visible within the company. They resolve conflict through negotiations and establishment of consensus (Gatley et al., 1996). These differences affect management styles and the way they are perceived in a foreign environment. When entering a feminine society the macho manager behavior is not taken seriously but managers are seen as braggarts (Hofstede, 1984). This can have serious implication as managers might not have the respect of the employees and decisions are hard to implement. Managers might have to fight for their orders to be obeyed. When entering a feminine society it would be better for managers to move into the background and make decisions for the overall good and not based on individual intentions. Entering a masculine society can hold difficulties for a company from a feminine country as well. The different management style might also not be taken seriously by employees because managers could be seen as incompetent by using the help of others to make decisions. The managerial style could be unsuccessful as it is too modest (Hofstede, 1984). Managers could be more effective when taking leadership and making individualized decisions. When entering a foreign country managers could always try to implement the home country practices by seeking communication with employees and taking small steps towards the new managerial style.

Individuals are motivated differently in masculine societies than in feminine ones. The difference lays in two fundamental factors. In masculine societies individuals are motivated by achievement and in feminine societies by relationships (Hofstede, 1984). Achievement motivation is expressed in masculine attributes of competition and individual decisions (Gatley et al., 1996). Wealth and recognition are the desired results of hard work and achievement. In feminine societies achievement motivation is low and the focus is primarily on relationships and group integration (Gatley et al., 1996). This is expressed in solidarity and group decisions. Relationship motivation is defined through human contact, service, and living environment (Gatley et al., 1996). The motivational factors also relate to the working environment. The working environment in masculine and feminine societies varies. Giving the achievement motivation in masculine societies the focus is on the job, often requiring overtime (Gatley et al., 1996). The working environment is defined by work and accomplishments. Social concerns and family usually come second and the company might interfere in the private life. The overall belief is “you live in order to work” (Gatley et al., 1996). In feminine societies the relationship motivation leads to a supportive work environment with attention to work satisfaction (Gatley et al., 1996). Working hours are often flexible to handle family obligation. The overall belief is that the company should not interfere with the private life (Gatley et al., 1996). When translating the motivational differences into implications for international management it is clear that attention to these differences has to be paid when entering foreign markets. In masculine societies it might be more effective to reward employees based on their individual performance. Monetary rewards and promotion would be the favored reward type. In feminine societies employees might respond better to rewards based on group accomplishments and social integration. Additional time off and flexible work schedules could be affective as a reward type. Implementing a stringent and work-oriented work environment in a feminine society might be difficult resulting in low motivation of employees and conflict with private life. The same holds true for a masculine work environment in a masculine society as the reduced focus on achievement could results in less motivation of employees. They might feel dissatisfied as the company is not giving them the hoped recognition and individual career development. Taking the differences into account is the first step to implementing a work environment that is valued by both cultures.

7. Conclusion
This paper has identified the four cultural value dimensions as identified by Hofstede and the implications they hold for international management. It shows the obvious importance culture plays for the management of foreign subsidiaries. Culture affects management in the home country as well but is often not recognized as an influential factor. Working with people from another country makes these differences obvious. While the dimensions and the related cultural attributes are common aspects found in each country, management decisions have to be made on individual basis. Each country’s culture varies therefore it is difficult to put the various cultural aspects into a dimension that applies to all. It might certainly be possible to implement the home country practices into the foreign country. The importance is to recognize that there are factors that can affect the implementation process and success of the operation. Doing business with a foreign country can be devastating if cultural differences are ignored. The goal of the paper was to show the importance of culture on international management and what possible implications it can have. The mentioned implications of cultural differences on international management are certainly not the only possible options but rather provide examples of possible results. To operate successfully in a foreign country requires the identification of the cultural attributes and the determination of how it will affect the company’s operation.
8. References