Dynamics of Cross Cultural Management: A Critical Review

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Abstract

Cross cultural studies have been receiving incremental attention of both academics and industry experts because of complex nature of management of subsidiaries across the countries worldwide. This study has been done based on reviewing literatures (both from subjective and objective view) of cultural studies related to international business. According to subjectivists, the core values and beliefs of national culture do not always necessarily guide the behaviour of people of a particular country. As a result, corporate culture may not be similar to national culture, rather; corporate culture can modify even alter employees beliefs and values associated with their national culture. On the contrary, the objectivists (positivists) argue that culture is a bottom-up phenomenon where group culture is the sum of individuals’ beliefs and values. In a group, individual’s role is to be representative of his own culture. Thus, in one side, understanding individual’s values is a must prior to understand national culture and in another side, the corporate culture is to be adoptive to national culture. Finally, the study concludes that either subjective or objective view of cultural studies have to be linked with time, context and purpose. Otherwise, cultural studies would mislead the policy makers and managers in their real life situation because; scholars of cross cultural research are skeptical about generalization of factors to understand national culture.

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Cross cultural studies have been receiving incremental attention of both academics and industry experts because of complex nature of management of subsidiaries across the countries worldwide. Though, multiple dimensions of cultures have been researched, this study has been done reviewing literatures on cultural studies relating to international business both from subjective and objective view.

Surveying 40 subsidiaries of IBM into different countries Hofstede initially identified four basic dimensions though later on
he added ‘Confucian dynamism’ as fifth dimension in his culture paradigm which he believes would clarify national cultures and intercultural differences (Hofstede, 1980). As per Hofstede’s proposition, culture has no tangible substance which can be seen and changed in accordance with the preference rather; it is an intangible impression but leave a substantial impact on human mind, attitude, behaviour and perception. To understand this typicality Hofstede define culture as “… collective programming of the mind that distinguishes the members of one group or category of people from another”, (Hofstede, 2006).

Hofstede’s cultural dimensions are as follows;

**Individualism-Collectivism:** The degree to which people in a society tend to be comfortable to act as individuals instead of groups (Hofstede, 1994). It is anticipated that people in an individualistic society value self-interests and looks after his/her immediate family (husband, wife and children) over group interests. But in a collectivist society people are tightly knit with groups which he/she cannot overlook. Members of collectivist cultures share their income even with the distant relatives and consider that they have rights on it (Hofstede, 1986).

**Power Distance:** How far subordinates expect and accept that power is unequally distributed in an organization and everyone’s role is determined by that inequality of power (Hofstede, 1986). In other words, to what extent subordinates will not be disobedient to their supervisors and do not expect their supervisors to consult with them in the decision-making process (Hofstede, 1980, 2001).

**Masculinity-Femininity:** People tend to be dominant and competitive in a masculine culture. They value personal achievement and aspiration but disregard failure. On the other hand, feminine society aspires to be soft and caring. They value relationship, peace and quality of life over personal achievement and see failure as a usual outcome of the way of life (Hofstede, 1994, 2001).

**Uncertainty Avoidance:** Orientation toward acceptance or avoidance of a certain degree of uncertainty. To what extent people are made nervous by uncertainty, vagueness, unpredictability and unstructured nature of environment (Hofstede, 1991 & Hofstede, et
al, 2000). Many can be confused uncertainty avoidance with the term risk-avoidance but they are not similar in this case. Uncertainty avoidance does not refer to accept or avoid risk rather provide precise rules and guidance by which people in their respective cultures make choices (Hofstede, 2001).

Confucian Dynamism: Religion has a formidable influence on national culture (Ralston et al, 2008). Around 2,500 years ago Confucius lived, but still his teaching of significance of social bondage and the group carry a substantial impact on social lives in Eastern societies throughout centuries. Similarly, Buddhism and Taoism impact in a similar fashion, which contrasts between Eastern (collectivism) and Western (individualism) culture. Thus Hofstede& Bond (1988), studying Chinese culture has been developed Confucian Dynamism which later used as ‘long term orientation’ (Hofstede, et al, 1991), that refers to the priority of future orientation vs. past and present. Hypothesis is national cultures could be different according to the orientation of time. Diverting focus from bipolar factor-based explanation of national cultures to hierarchical order (Steel & Taras, 2010) has been attempted to focus on underneath of national cultures which in Hofstede’s study could not elicit sometimes.

Indeed, culture is the accumulation of shared meanings, rituals, norms, and traditions that distinguishes members of one society from another (Soloman, 1996; Hofstede, 1980). Later on, Hofstede (1991) opined that culture is collective programming of the mind which distinguishes the members of one group from another which is almost consistent with the views of Hoecklin (1995) and Tayeb (1996). It is considered as a bottom-up phenomenon where group culture is the sum of individual beliefs and values. In a group, individuals’ role is to be a representative of their own culture. Thus, understanding individual’s values is a must priority to understand national culture (Steel & Taras, 2010). These researchers explain culture as a hierarchical phenomenon dividing into individual and national level. At individual level, age, gender, socio-economic status, level of education and family background are to be considered. At national level, however, innovation, economic affluence, political climate and freedom of speech are anticipated to effect on cultural values of citizens.
Pretending impact of socio-economic factor on cultures, scholars of cross cultural research assumed that members of upper class in a society and closer to top management in organizations are likely to be in decision-making role. By position they are used to perform non-routine activities on a regular basis, so they are familiar with ambiguity and uncertainty which make them confident to take risks. Moreover, their high level of income and education allow them for relative independence and security. Likewise, people in the lower class in a society and organizations are used to perform routine works, fear to take initiative, suffer from inferiority, follow strict rules and hesitant about doing unconscious mistakes. Because of their lower income and relative social insecurity, they are largely found to be loyal to their superiors. This group can exercise power if they are united. Thus to a large extent, they tend to be relied upon relatives, friends and peers for survival (Lam, et al, 2004, Steel & Taras, 2010). To a large extent, economic development has impact on various spectrum of social life. This assumption captures attention to find out whether there is any relationship between economic performance and cultures of a country.

In this regard, Hofstede& Bond (1988) found a positive correlation between culture and economic growth. It was the proposition that a particular cultural orientation has influences over management philosophy; consequently economic growth is accelerated in a particular country. That means in previous study culture has been considered as a cause not effect of wealth. But in 2001, Hofstede considered wealth as a cause not consequence of culture. Yeh and Lawrence (1995) study, however, found no proof of relationship between culture-economic growths (wealth), thus these authors are skeptical about factors choice and findings. Reviewing all possible relevant literature since 1980-2006 Steel & Taras (2010) explained the other way around that culture is a consequence of certain individual and national level initiatives. Rapid economic growth and societal changes spur many visible changes in cultural values in Chinese society (Egri & Ralston, 2004). Thus, Steel & Taras (2010) concluded that national culture is a consequence, which is influenced by government policy, political philosophy and economic performance of a country and their findings are tested both empirically and literally and proved significant. Extending their view, Ralston et al. (2008) have attempted sorting similarity, dissimilarity and conformity among
factors of national culture which are considered to be supportive or conflicting in management in a cross cultural setting.

Proponents who believe that, values are driven by economic ideology support convergence theory (Ralston et al., 2008). They argue that with the pace of economic development industrialized nations will adopt common values regarding economic affairs and occupational behaviour (England & Lee, 1974, Ralston et al, 2008). As until very recently, many developing countries of the world who expected to be industrialized are embracing ideological values from free market-capitalist economic ideological values from Western capitalist industrialized economies apart from their previous political philosophy like Socialism (Dunphy, 1987, Kelley & Worthley, 1981, Negandhi, 1975, Webber, 1969, Kordonsky, 1992, Shmelev, 1991, Yip, 1992 & Ralston, 2008). That means in the long run after ensuring economic development cultural distance between developed and developing nations assumed to be leveled off.

However, supporters of divergence theory believe that value system is affective by national culture not by economic ideology (Ralstonet al, 2008). Thus, values of a particular country related to work behaviour anticipated to largely be similar like before even after transition from socialism to capitalism (Lincoln, Olson, & Hanada, 1978, Ricks et al., 1990, Cole, 1973, Evans, 1970, Ralston et al, 2008). As a consequence, it may not be true that socialist countries would adopt Western industrialized capitalist countries’ cultural values in the process of industrialization (Shaw, Fisher, & Randolph, 1991, Shmelev, 1991, Vance & Zhuplev, 1992, Ralston et al, 2008).

To conclude, growing debate between convergence-divergence, Ralston et al (1993,1997,2008), proposes a new approach “crossvergence”, which is expected to be a suitable alternative to explain dynamic interaction between economic philosophy and national cultural values. Advocates argue that theory of crossvergence will form a unique value system borrowing values from both national culture and economic ideology (Ralstonet al, 1993). Making the concept understandable Ralston et al (2008) explains that ‘crossvergence’ is something different not in between convergence-divergence, which comes throughout the integration of ideological values from national culture and economic philosophy that forms a unique value system which is different from the value
set accompanied with either national culture or economic ideology. This new approach would possibly contribute to Multinational enterprises (MNEs) management solving egoistic conflict that stems due differences to the national cultural values and economic philosophy.

The above discussed theories are all deterministic and object oriented. These authors have been attempted to explain inherent complexities of national cultures considering some preconceived factors which might effect on and make differences among cultures. But culture consists of a combination of intrinsic and extrinsic attributes. Though extrinsic variables of cultures can be hypothesized, measurable and quantifiable, but intrinsic variables which closely knit with feeling and almost impossible to express exactly, to a large extent does not reflect in previous research findings. Thus an obvious research gap was reflected in all objective approach which captures attention to go further with subjective study to discover inherent factors of national cultures.

Subjective View of Cross Cultural Studies

Most popular cross-cultural studies to date; Hofstede (1980), GLOBE’s & Hofstede et al (2006), Trompenaars et al (1997), Inglehart (1997) & Schwartz (1994) have been grounded on homogeneity assumption of culture in a national territory. But Steel & Taras (2010) and Tung (2008) caution against this fallacious assumption arguing that cultural differences inside a country sometimes as striking as or even more than that of across countries. Extending Tung’s view, Fletcher et al (2006) stated that globalization is making nations interdependent and interconnected consequently eroding national boundaries. Thus people tend to be comfortable with culturally similar background in a global environmental setting (Ibarra, 1993 & Lazarsfeld et al, 1954). Which Johanson et al (1977 & 2009) described as ‘psychic distance’ and referred as an important reason for multinational companies moving to culturally distant countries (Shenkar, 2001) acquiring experience from culturally similar countries. Yoshino (1976) & Ozawa (1979) mentioned that cultural distance is a major impediment for Japanese investment into Western countries.

However, Dunning (1988) has argued that large cultural distance between host and home countries substantiate to reducing
transactional and market failure costs encourage investment. Johanson & Vahlne (1977) and Shenkar (2001) finding is complementary to Dunning view. They have observed that Swedish firms largely expanded their international presence to greater “psychic distance” nations. In this regard, Davidson & McFeteridge (1985) and Shenkar (2001) concluded the “psychic distance” debate in a way that, the more the host and home countries are culturally distant the more MNEs have control over foreign operations. Because, greater control is considered as a tool of reducing costs accompanied with information and uncertainty in a foreign market (Alpander, 1976; Shenkar, 2001).

Similarly, an opposite view of psychic distance-subsidiaries management has been explored in (Mamman, 1995 & Carr et al, 2001) study that, host country nationals tend to be stereotyped to foreign managers from other neighboring developing countries. This view, arguably, calls for more depth analysis, because in practice, many multinational companies (e.g. Uniliver Bangladesh country director is an Indian, Haier Indian country director is a Chinese) from developed-developing countries have been appointing top officials into subsidiaries in developing countries from neighbouring developing countries and they are quiet successful.

Furthermore, Haire, Ghiselli & Poter (1966) and Smircich (1983) opined that management practices vary across countries due to differences in cultures. In cross cultural management literature ‘culture’ is assumed to be a background construct, an explanatory variable (Ajifaruke & Boddewyn, 1970), or a broad framework which influences over employee attitude, behaviour, beliefs and values. Thus culture is to be considered as an independent variable, a proposition similar to Hofstede view, which would be responsible for employee attitudes and their work-related behaviours that brought into the organization by staffs (Fayerweather, 1960). However, these researchers havetheir own different views, they believe that organizations itself is a culture producing centre. Smircich (1983) argues that different organizations have different corporate cultures and as a byproduct they produce distinctive cultural artifacts, rituals and ceremonies which might not be similar to the national cultures. Corporate culture can modify even alter employees beliefs and values associated with their national culture (Lauren, 1986 & Shenkar & Raven, 1996, Shenkar, 2001). In this...
regard, positivist researchers argued that corporate culture has to be adoptive to national cultures which may not be the case always that subjectivist studies unveil. Apart from the debate between corporate culture-national culture and management dilemma, according to Gestalt theory, all attributes of cultures should be considered at a time understanding them completely.

In fact, to touch the core of a culture, beliefs and values that guide human behaviour of a state have to be understood properly (Fang, 2001). If culture is assumed to be an Onion then to see the core it has to be peeled layer by layer. Any assumption of the centre of onion looking at the surface layer may be misinterpretation and misleading as well. Thus, considering bipolar dimensions (Hofstede, 1980, 1988, 1991, 2001): masculinity-femininity or individualism-collectivism.....a culture cannot be explained perfectly. The limitation of factor oriented explanation of national cultures, it is assumed that either extreme of a polar exists in a society (Masculinity or Femininity) not both can be at a time. But the general rule (rule of thumb) is good-bad, love-hatred, anger-quiet, which Fang mentioned as Yin-Yang philosophy, coexist at a given time which has been overlooked in objective/deterministic view of culture studies.

Therefore, cultures have to be linked with time and context which has largely been ignored by positivist researchers of cultures. In bipolar model (Hofstede) national cultures have fixed indexes which effect on work related behaviour of people in a particular society. But how those indexes would impact on staff’s behaviour due to changes of work type, context and time has not been interpreted. Thus this has to be considered a time and context free approach of cultural studies which is an imperfect measure to explain cultures. Following two country-specific cases are assumed to be established justification of the claim. According to Hofstede (1980, 1991 and 2001), Sweden is used to be a feminine culture, which is true in many instances. But; if, Swedish companies’ speed and pace of internationalization is taken into account then Sweden is supposed to be a masculine society. Moreover, many Swedish companies’ have large per capita income than firms from other countries in the world (Birkinshaw, 2002, Fang, 2003). Working environment in Swedish firms is usually described as reflecting low power distance which means there is no boss to command. This logic, however, is not true for Swedish army. Thus work values
should be grounded in the context to make them meaningful and effective.

Again, China and Japan are commonly described as low context culture countries in traditional cross cultural communication studies. Where yes may not mean yes and no may not mean no for some times. But, are Chinese people always found quiet? The answer would possibly be no. For instance, in a traditional Karaoke bars Chinese people are exposed to which they are “wild” like people in other low context (Hall, 1976, Cardon, 2008) countries, festive, cheerful and lively, depending on time, context and situations. This is not the special case for Chinese culture only rather applicable to all cultures. But, this aspect of culture has been ignored in bipolar paradigm of cultures studies.

The yin-yang philosophy regards that opposites exist always for everything and they embrace each other as well as one live in another. For instance, the moon exists into the sun during daytime; light exists into darkness and vice-versa. So in absence of one another cannot exist. Yin represents female (e.g. moon, water, night, softness, night...) and Yang represents male (e.g. sun, day, fire, hardness, brightness...). This yin-yang philosophy Fang termed as Ocean Metaphor, where he compares culture with an ocean. Visible values and beliefs of a culture are identified at a certain time and context just like a visible wave pattern observed from the surface of the ocean. But surface wave is not all of the ocean rather numerous ebbs and flows underneath which are generally invisible. Similarly, national cultures have beliefs and values in the core which guide the behaviours of people of a particular country. This underlying value system has largely overlooked in objective view of cultures studies. Thus without consideration of them any generalization may be misreading of the particular culture.

Indeed, Hofstede designed his research on a single IBM corporation where he surveyed opinion of executives with different nationalities serving at various positions into subsidiaries worldwide. In his 1996 study, claimed that the impact of institutions: educational and occupational, family and religion effect on programming of mind which reflect in one’s own culture. Thus, the method he used, to some extent, was erroneous in a sense that though population taken for study had multicultural background but would have been deviated from their national cultures by the
influence of organizational culture (McSweeney, 2002, Shenkar, 2001). Moreover, data that he collected in 1970 did not update with time changes (Baskerville, 2003, McSweeney, 2002, Steel & Taras, 2010). But research reveals that due to changes of time the characteristics of country changes. Thus, accuracy of older data (e.g. Hofstede, 1980) diminishes which has been overlooked in Hofstede’s study assuming culture is constant in a stable economic and political environment (Steel & Taras, 2010). Therefore, we have to be careful in generalization of findings (McSweeney, 2002) and call for a new set of national culture indices and ranking for vibrant foundation of cross-cultural research for managerial implications (Steel & Taras, 2010). Thus, Shenkar describes that Hofstede findings provide a misinterpretation of cultural differences across countries.

Conclusion

After reviewing literature, it is worthwhile to mention that whether subjective or objective view of culture is suitable largely dependent on the context and purpose of study. However, scholars of cross cultural research are skeptical about generalization of factors to understand national culture (Tung, 2008) for instance; uncertainty avoidance dimension in Hofstede’s model and GLOBE project elicit different facets of the same construct (Tung, 2010). Considering Gestalt theory of psychology, Leung, et al (2005), suggested seeing culture as a whole set of complexity not part by part to understand implicit meanings and differences. This debate is rationale to both academics and managers, because without understanding implications and limitations of different views someone may adopt a particular approach to defining cultural dimensions and differences across culture that may not fit to the particular context.

References


