

# Chapter 54

## Business Management Toolkit (BMT) 11- Hofstede's cultural dimensions (HL only)

*"A people without the knowledge of their past history, origin, and culture is like a tree without roots."  
- Marcus M. Garvey, (1887-1940), Jamaican entrepreneur and political leader*

### Hofstede's cultural dimensions (HL only)



The Business Management toolkit is a set of situational, planning, and decision-making tools used to analyse and evaluate the syllabus content as well as being applied in different contexts. Hofstede's model of cultural dimensions is a type of situational tool.

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**G**eert Hendrik Hofstede (1928 – 2020) was a Dutch social psychologist and expert in corporate culture. Professor Hofstede studied the links between international cultures and organizational cultures. According to Hofstede culture can be as *"the collective mental programming of the human mind which distinguishes one group of people from another"*. This is largely shaped by domestic cultural norms and shapes human behaviour in society. Cultural norms are the shared expectations, values, and rules that guide behaviour of people within a social group. These norms are passed down from one generation to the next.

This does not mean that everyone in a particular society behaves in the same way as there are significant differences between individual human beings. However, it does suggest that there may be considerable differences among individuals in one country that are noticeably different when compared with cultures in different countries. Such differences in outlook can cause culture clashes within an organization (see Chapter 11).

Hofstede's research gives insight into how organizational cultures may differ from one country to another. National culture has a direct impact on organizational culture. For example, Universal Studios Singapore opened its theme park in 2010 on 18th March at precisely 8:28 a.m. with 18 Chinese lions blazing through the entrance. The number 8 is auspicious in Chinese culture. It is important for organizations with operations in overseas markets to consider the cultural differences that exist. What works well in one culture or country does not necessarily apply to others (also see Chapter 34).



Figure 54.1 – Universal Studios, Singapore

Hofstede’s cultural dimensions was based on his research of employees working at IBM International (where he worked as a management trainer and manager of personnel research). He interviewed IBM employees in over 70 national subsidiaries to see how cultures may differ around the world within the same organization. The research included Hofstede taking a two-year sabbatical from IBM in 1971, and having conducted around 117,000 surveys, he discovered that there were significant differences between cultures within the same organization in different parts of the world.

Hofstede’s original work found five dimensions (types) of culture. These cultural dimensions describe broad patterns of differences between cultures:

### 1. Power distance

**Power distance** measures the extent to which there is a clear cultural sense of rank and status in society, i.e. whether subordinates (or citizens) expect and accept unequal distribution of power within an organization (or country). Whilst some people or societies are expected and allowed to challenge the views of their superiors, in others they are simply expected to ‘do as they are told’. In such a society, people are not encouraged to ever challenge the ideas put forward by their managers. Large power distance countries include Malaysia, the Philippines, and Slovakia. By contrast, a low power distance rating or index, as found in New Zealand and Scandinavian countries, reflects the society’s view that people should have equal rights.

Hofstede found that a high power distance culture tends to have centralised decision-making and exists in organizations with tall hierarchical structures (see Chapter 8). This can create a sense of alienation between senior management and employees. workers may feel isolated, disconnected, and unappreciated especially if they have minimal, if any, influence in the decision-making process. By contrast, a low power distance culture tends to be decentralized, with delegation and empowerment (see Chapter 10).

Differences in the power distance dimension of culture mean that people will think and behave in different ways. Understanding such differences and working to close the power distance gap can help to prevent culture clashes (see Chapter 11) and make it less difficult for people from dissimilar regions or cultures to work together effectively.

### 2. Individualism versus Collectivism

This cultural dimension in Hofstede’s model measures the extent to which people feel they should care for themselves (individualism) versus caring for or being cared for by the family network and others in society (collectivism). It considers the extent to which people feel it is their responsibility to look after others or whether they feel that this is the responsibility of the government. The USA, UK, and Australian are often cited as individualist societies whereas collectivism is important in Chinese, Columbian, Venezuelan, and Pakistani cultures.

In a corporate setting, individualistic cultures put emphasis on the needs of the individual over the needs of the group as a whole. By contrast, a collectivist culture stresses the importance of cooperation and interests of the group over than the needs of any particular individual.



Figure 54.2 - Collectivism is part of Chinese culture

### 3. Masculinity versus Femininity

This cultural dimension focuses on the extent to which a culture conforms to traditional gender values and traits. Masculinity refers to the values and behaviours usually dominated by males, such as assertiveness, competitiveness, ambition, status, selfishness, and material rewards. According to Hofstede Insights ([www.hofstede-insights.com](http://www.hofstede-insights.com)), this culture is found in Japan, Hungary, and Slovakia for example. By contrast, femininity refers to the values and attributes traditionally associated with females, such as placing focus on relationships, cooperation, communication, and the general quality of life. This culture is found in Thailand, Sweden, Norway, and Latvia for example.

In the corporate world, a masculinity culture suggests preference for achievement and material rewards as measures of success. Such organizations do not emphasise harmony and consensus. This differs from a femininity culture, such as observed in charities and other non-profit social enterprises (see Chapter 2), which prefers cooperation, modesty, caring for the less able, and improving overall quality of life. Such organizations are more consultative and consensus oriented.

Note that categorizing cultures as ‘masculine’ or ‘feminine’ was used by Hofstede over 50 years ago, so the terms are less politically correct in today’s world – a clear example of how cultural and social norms change over time!

### 4. Uncertainty avoidance

This aspect of Hofstede’s cultural dimensions measures the extent to which people in an organization or country prefer structured routines (predictability) over flexible structures. It refers to the extent to which individuals in society or organizations are comfortable with uncertainty. Hofstede found that countries with high uncertainty avoidance scores have strong customs and habits. Examples include cultures found in Greece, Portugal, and Uruguay. Such societies tend to favour formal structures, rules, and regulations (see Chapter 8). In some organizations, people are used to receiving precise instructions, with detailed to-do lists and plans. There are clear guidelines and policies so that people know exactly what they are expected to do and when. People who have a low tolerance of uncertainty avoidance tend to remain loyal to their employers.

By contrast, a society or organization that has a high tolerance for uncertainty avoidance means that there is generally acceptance for new ideas and the ideas of others. Members of a society or group do not feel uncomfortable with doubt (uncertainty) and are receptive of an unstructured future. Some of the most tolerant nations, with a low uncertainty avoidance score, include Sweden, Denmark, and Singapore. Such cultures are conducive to change, growth (see Chapter 5), and innovations (see Chapter 42). Hofstede found that organizations that have a high tolerance for uncertainty are suited to operating in fast-paced industries that witness rapid changes.

### 5. Long-term versus short-term orientation

This dimension of culture looks at the extent to which a particular culture values making sacrifices today for the benefits to be reaped in the future. According to Hofstede Insights, countries and companies with a culture of long-term orientation, such as India, China, Japan, South Korea, and Thailand are focused on the future so invest for the future, have perseverance, and are patient with the results. People in such cultures do not seek instant gratification but willingly sacrifice current consumption for future benefits.



Figure 54.3 – Long-term orientation does not seek instant gratifications

By contrast, short-term orientation means that cultures and traditions are kept because people are focused on the present or past and consider this to be more important than the future. They view societal change with an element of suspicion and apprehension. Such orientation, as found in Columbia, Trinidad and Tobago, and numerous nations of West Africa, involves people fulfilling their social obligations and respect for and preservation of tradition. Hence, such cultures can be resistant to change (see Chapter 7).

In the corporate world of business, these different outlooks with respect to time directly impact on investment decisions (see Chapter 21). Some managers may only look two or three years ahead, expecting the business to reach break-even quickly (see Chapter 39) and earn a high return on investment in that time. However, other managers are willing to take longer term decisions and risks. They are willing to persevere and work harder for a longer time period to achieve success.



**6. Indulgence versus self-restraint**

In 2010, Hofstede’s research led him to add a sixth cultural dimension: *indulgence* versus *self-restraint*. An indulgent culture is one that enables people to let go, have freedom of speech, enjoy life, and have fun as a way of life, whereas a culture that emphasises self-restraint restrained has strict social norms to ensure self-regulation and control.

Examples of indulgent countries, according to Hofstede Insight, include Australia, Canada, the US, Argentina, Mexico, El Salvador, and Chile. Countries with a moderate level of indulgence include Finland, Sweden, Turkey, and Algeria. Pakistan, India, China, Japan, Latvia, and Estonia have a culture of self-restraint. People from countries with low scores for indulgence (or high ratings for self-restraint) may be reluctant to offer their personal opinions and may feel guilty or a sense of shame for engaging in trivial activities. They may also consider those who openly indulge as being unprofessional.

As with all dimensions of culture, having an understanding of cultural differences and local business etiquette improves the chances of commercial success. It is therefore vital for managers to be open-minded, mindful, and flexible in international social and business encounters.

**Case study– Culture and etiquette in China**



*Fresh fruits are often given as gifts in Chinese culture*

- The eldest person is always greeted first.
- Business cards should be exchanged with both hands but placing the business card straight into your pocket is regarded as offensive behaviour.
- Fruits and food items are generally appropriate gifts.
- Gifts must be received with both hands – and should not be opened in front of the benefactor.
- It is not acceptable to use red ink for written communications.
- Clocks should never be given as a gift!
- Male colleagues should refrain from wearing green hats if they want any respect!

**ATL Activity (Research skills)**

Visit the Hofstede Insights webpage ([www.hofstede-insights.com/product/compare-countries/](http://www.hofstede-insights.com/product/compare-countries/)) to compare and contrast the different cultural dimensions of different countries across the world. Simply select a country in the dropdown menu to see the values for the cultural dimensions. you can also choose additional countries to see a comparison of their relative scores.



**Theory of Knowledge (TOK)**

How might different national cultures, traditions, and beliefs affect knowledge claims made in Business Management?



**Theory of Knowledge (TOK)**

How do we know if there is a dominant culture within a nation? How does this influence decision-making business organizations?

**Evaluation of Hofstede’s cultural dimensions**

Hofstede’s cultural dimensions gives managers and decision makers a coherent tool for classifying and discussing cultures within and across organizations. The tool helps to explain a range of social behaviours, based on empirical evidence. A major strength of this tool is that it can help to prevent or minimize culture clashes due to ignorance or misunderstandings, especially in large and multinational companies (see Chapter 6). This helps managers to plan and adapt corporate strategy more appropriately.

However, there are several limitations of Hofstede’s cultural dimensions. First, the notion of cultural dimensions is that it may lead to confirmation bias. For example, if researchers believe that American or British culture is individualistic, they may look out for traits in an individual from a research group simply because that is what they expect to see. Also, Hofstede’s research was based on a relatively large sample taken from employees at IBM in different countries, but the findings only represented those working at the high-tech company in an office environment. The sample and findings are therefore biased and may not be representative of a larger population and employees in different occupations. Furthermore, what may seem to be a strength in one country (such as individualism or collectivism) could be interpreted as a weakness by others.

Globalization has caused the corporate world to be more integrated and interdependent. Numerous sub-cultures may therefore exist in organizations. The trend towards hiring a workforce that is culturally diverse means that managers and employees may not make decisions in the same way as described by Hofstede’s original research and findings. Whilst his research was comprehensive, it is somewhat outdated. For example, describing cultural dimensions as “masculine” or “feminine” may seem sexist or offensive in today’s business world.

There are many factors that influence culture, not just national identity that Hofstede’s work and research focused on (although he was a social psychologist rather than a corporate business manager). We cannot assume that everyone from a country or organization will have the cultural profile that Hofstede identifies in his model of cultural models. After all, this was a particular study at a particular time and conducted in a particular way.

Nevertheless, the tool provides critical insight to gain a better understanding of other cultures that exist. Such awareness is imperative for doing business with others, whether this is domestically or on an international scale. This knowledge is equally important when engaging with mergers and acquisitions, joint ventures, strategic alliances, and takeovers (see Chapter 5) in order to improve the chances of success in amalgamating companies with potentially contrasting corporate cultures.

**Question 54.1 Wahaha and Danone’s joint venture**

*Wahaha*, China’s largest beverage producer, formed a **joint venture** with France’s largest food company, *Danone*, in 1996. When *Wahaha*’s founder stepped down in 2007, several disputes broke out between the two companies, including the choice of a new chairperson. Both companies wanted their own representative to take over the company. *Danone* then claimed that the Chinese had illegally copied some of its drinks. Under the joint venture agreement, *Wahaha* was not allowed to make products that directly competed with *Danone*’s range of drinks products. *Danone* also faced pressures from Chinese officials when thousands of bottles of its Evian water were seized on accusations that they contained unsafe microorganisms

- (a) Define the term *joint venture*. [2 marks]
- (b) Explain the importance of understanding cultures for the success of cross-border joint ventures. [4 marks]
- (c) In the context of the case study, explain two limitations of Hofstede’s cultural dimensions as a business management tool. [4 marks]



## Theory of Knowledge (TOK)

How can we know the extent to which Hofstede's cultural dimensions might actually reflect a diverse population in a society?

### REVIEW QUESTIONS

1. What is Hofstede's cultural dimensions?
2. What is power distance and how does this inform situational analysis?
3. How does individualism differ from collectivism?
4. What did Hofstede mean by masculinity versus femininity in the context of cultural differences?
5. What is uncertainty avoidance?
6. How does long-term orientation differ from short-term orientation?
7. What is an indulgent culture and how does this differ from a culture of self-restraint?
8. What are the main benefits and limitations of using Hofstede's cultural dimensions as a business management situational tool?

### KEY TERMS

**Collectivism** is a dimension of culture that stresses the importance of cooperation and the interests of others over than the needs of a particular individual.

**Cultural dimensions** refer to Geert Hofstede's framework to which members of different cultures can generally be classified. The tool describes broad patterns of differences between aspects of cultures.

**Femininity** refers to the values and attributes traditionally associated with females, such as placing focus on relationships, cooperation, communication, and the general quality of life.

**Individualism** is a cultural dimension that emphasises on the needs of the individual over the needs of others as a whole.

**Indulgence** relates to the need for people to have fun and freedom as part of their social norm.

**Long-term orientation** exists in cultures that focus on the future, so people and firms invest for the future, have perseverance, and are patient with the results.

**Masculinity** refers to the values and behaviours usually dominated by males, such as assertiveness, competitiveness, ambition, status, selfishness, and material rewards.

**Power distance** measures the extent to which there is a clear cultural sense of rank and status in society.

**Self-restraint** is a dimension of culture where people are reluctant to offer their personal opinions and refrain from engaging in trivial activities in order to maintain perceived professionalism.

**Short-term orientation** exists in cultures where traditions are kept as people are focused on the present or past, viewing societal change with some suspicion and apprehension.

**Uncertainty avoidance** refers to the extent to which individuals in societies and organizations are comfortable with uncertainty and risks.