

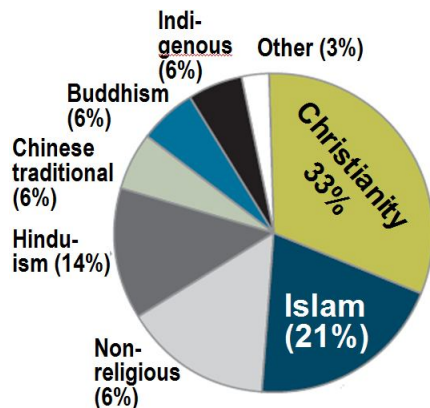
# The Cultural Environment

## Learning objectives:

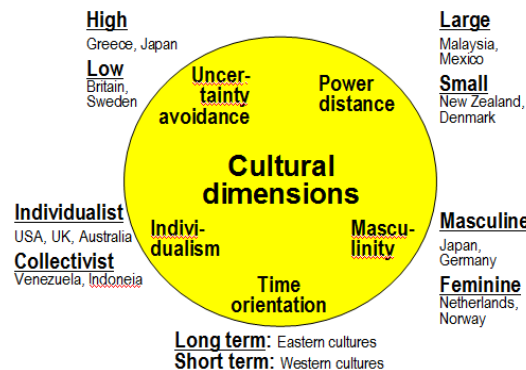
- To appreciate the differing facets of culture as they impact on business interactions
- To identify and apply culture theories in differing business contexts
- To highlight the differences in organizational cultures, and how they affect business activities across national borders
- To understand the processes of culture change taking place across the globe, along with their implications for business

## What is culture?

Culture is sometimes treated as a variable which can be measured quantitatively, but the reality is that culture impacts on every aspect of international business in ways that defy quantification and may be difficult for outsiders to fathom. Business and management research has shed light on the dimensions of national cultures, such as key concepts of power distance and individualism, but it has been less helpful on the springs of culture, the social groupings which we identify with and which shape our values and attitudes. Many of these are national cultures, but they can also be ethnic or language groups or religions – all of which may cut across national boundaries.



The followers of Christianity and Islam together account for over one-half of the world's total population

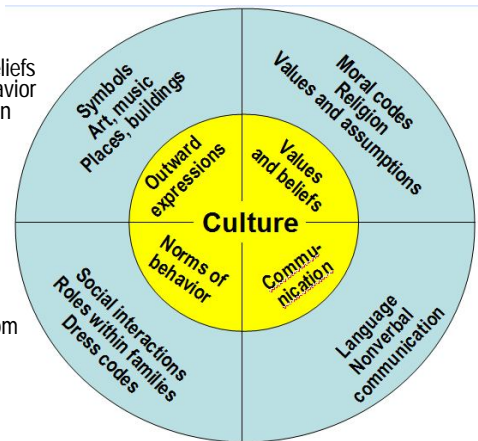


Hofstede's five cultural dimensions allow us to draw a picture of the ways in which a social group deals with the situations that arise in everyday life. Trompenaars went a step further, by focusing on the cultural dimensions that highlight patterns of orientation to relations and attitudes, and provided a practical guide to managers in differing cultural environments.

The facets of culture comprise

- values and beliefs
- norms of behavior
- communication and outward expressions

that together form a distinct profile that distinguishes the members of one cultural group from another.



## Culture and international business

The culture of the business organization, including its embeddedness in its own national culture and the degree of openness to other cultures, is a factor of growing importance in international business. The expansion of subsidiaries, networks, alliances and other co-operative arrangements such as joint ventures has made the need for cross-cultural understanding imperative. At the same time, the MNE is finding new opportunities in both operations and markets which are opening up. As cultural distance widens, the risks grow, and cultural sensitivity becomes a crucial element in internationalization.

## Culture and modernity

Most of the world's societies are multi-cultural, and understanding the patterns of diversity and convergence within them is key to organizational success in differing national environments. The view that globalization would make distance irrelevant now seems naive. On the other hand, economic development is bringing modern consumer lifestyles to developing countries across the globe, representing a kind of convergence that proponents of globalization predicted. But these societies are evolving in ways which reflect their own national cultures and values, as well as diversity beneath the national level. Cultural diversity is increasingly intermingled with social and economic divisions, creating both challenges and opportunities for international business.

## Navigating through the cultures

- **Growing urbanization:** Whether in the developed world or in the developing world, people see the city as offering opportunities for a better life, but the reality, especially in the developing world, is likely to be poor and unhealthy conditions, even if employment is available. The growth of cities in the developing world is now a major challenge for authorities and businesses.
- **Women in the changing societies:** As economies develop, women are more likely to be employed outside the home, but inequalities in educational opportunities, health, wages and political representation persist.
- **The Changing markets** offer excellent prospects for growth but are diverse in both culture and income levels.