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Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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### **REVISITING HOFSTEDE: IS IT RELEVANT IN GLOBALIZED ERA?**

### DEEPTI SEHGAL ASST. PROFESSOR DEEN DAYAL UPADHYAYA COLLEGE KARAMPURA

### **ABSTRACT**

Geert Hofstede, a social psychologist and anthropologist conducted an in-depth cross-cultural analysis and deliberated upon the affiliation between national culture and organizational culture. With alternative paradigms shaping up in the field of cross-cultural communication, many concerns have been raised on the relevance of Hofsede's model in this globalized era. This paper attempts to identify contemporary research works which have applied Hofstede's model of national culture. Even after three decades, this framework has explained associations between culture and management concepts like whistleblowing, consumer ethics, and compensation of employees with great ease and in a simplistic way.

#### **KEYWORDS**

Hofstede, national culture.

#### INTRODUCTION

here exist many nation-states in this world, each nation having its own identity, religious systems, social systems, religion, language, customs, traditions, rituals which largely shape up the national culture. Different people hold divergent perspectives about what culture is. Culture can be defined as the collective programming of mind that distinguishes members of one group or category of people from others (Hofstede, 2013). Culture holds people together by way of shared ideas, customs, and social behavior in a society. The word culture has been derived from the Latin word cults, which means 'care', and from the French word colere denoting 'to till' for example 'till the garden'. Since it holds umpteen elements, it becomes arduous to quantify study and analyze such a diverse and universal subject. Geert Hofstede, a social psychologist and anthropologist conducted an in-depth cross-cultural analysis and deliberated upon the affiliation between national culture and organizational culture. Although many researchers have built upon the pioneering works of Geert Hofstede, his work remains unsurpassable.

Hofstede studied organizational values of 116,000 International Business Machines (IBM) employees from more than 70 national subsidiaries during 1967 -1973, and generalized four key value dimensions: power distance (PDI), individualism (IDV), masculinity (MAS) and uncertainty avoidance (UAI). A fifth dimension was added to the framework in 1991 based on the works of Michael Harris Bond and his colleagues which came to be known as long term orientation (LTO). Finally Michael Minkov analyzed world values survey data of 93 representative samples of national population which added sixth dimension to the model: indulgence versus restraint. Building upon findings by Hofstede(1980), Robert J. House conducted one of the most comprehensive studies viz. "Global leadership and Organizational Behavior Effectiveness" (GLOBE) research program(1991) encompassing 61 nations to provide detailed descriptions of leadership theory and leader behavior. The study concluded that people want their leaders to be trustworthy, just, honest, decisive, and so forth. However, how these traits are expressed and enacted will differ across societies (Michael H. Hoppe, 2007). Fons Trompenaars and Charles Hampden-Turner (1997) developed another cross-cultural communication framework based on analysis of problem resolution behaviors in 40 countries. With alternative paradigms shaping up in the field of cross-cultural communication, many concerns have been raised on the relevance of Hofsede's model in this globalized era.

### **HOFSTEDE'S CULTURAL DIMENSIONS**

Power distance Index- It is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally (Hofstede,1980). Instead of measuring the actual difference in power distribution, this dimension explains how that power is perceived. In cultures with low PDI, subordinates and superiors share a close relationship where subordinates can freely communicate with their bosses. High power-distance scores signify an existence of autocratic superior-subordinate relationship.

Individualism versus Collectivism- The degree to which individuals are integrated into groups (Hofstede, 1980). This dimension has no political connotation and refers to the group rather than the individual. Cultures that are individualistic place importance on attaining personal goals. In collectivist societies, the goals of the group and its wellbeing are valued over those of the individual.

Masculinity versus Femininity- Masculinity/ femininity refers to the role of gender in society. In highly masculine cultures there are clear gender roles for men and women. Men tend to be aggressive, competitive, and assertive while women exhibit low masculine traits. In highly feminine organizations, people develop working relationships with others. Employees cooperate with each other and tend to avoid conflicting situations. People work in good working conditions and value job security. Thus feminine cultures emphasizes upon quality of life and concern for all.

Uncertainty Avoidance- This value dimension seeks to answer the question as to how much uncertainty a society and culture is willing to accept. Cultures with high uncertainty avoidance appreciate careful planning and orderliness. Rules and regulations govern the functioning of an organization which results in stressful situations. In contract, low uncertainty avoidance score depicts flexible rules and less orderliness. Employees feel comfortable in ambiguous situations. People turn up late for important meetings and exhibit unpunctuality.

Long-Term orientation versus short-term orientation- This dimension describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and societies prioritize these two existential goals differently (Hofstede). The long-term orientation values persistence, perseverance, thriftiness whereas short-term orientation values tradition only to the extent of fulfilling social obligations or providing gifts or favors. These cultures are more likely to be focused on the immediate or short-term impact of an issue.

It is important to note here that these five dimensions do not occur as single values but are really woven together and interdependent, creating very complex cultural interactions. Even though these five values are constantly shifting and not static, they help us begin to understand how and why people from different cultures may think and act as they do.

Indulgence versus restraint- This dimension was added because it focuses on aspects that are not covered by the other dimensions, which is happiness (Hofstede, G). Indulgence can be defined as "Stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun". Restraint can be defined as ""Stands for a society that suppresses gratification of needs and regulates it by mean of strict social norms" (Hofstede, G).

### **REVIEW OF LITERATURE**

Ziad Swaidan (2011) identified variations in consumer ethics using Hofstede's cultural model as an independent variable and consumer ethics as dependent variable and concluded that consumers who are high in collectivism and low in masculinity display more sensitivity towards ethical problems than consumers who score low in collectivism and high in masculinity. This implies that marketers should adopt societal marketing concept with collectivist and feminine consumers and consumers with high uncertainty avoidance requires continual education about products and services on offer.

Alex W. H. Chan and Hoi Yan Cheung (2011) regressed data collected from 271 firms across 12 countries and demonstrated that culture affects ethical sensitivity which regulates the corporate governance activities across distinct regions. After controlling various economic and legal factors it was observed that cultures

with high IDV, low UAI, and low MAS have higher corporate governance scores. This study provides a strong rationale for expanding research on developing corporate governance practices from a cultural viewpoint.

Randall S. Schuler and Nikolai Rogovsky (1998) recognized the need for congruency between compensation systems and culture of host country which will result in increased levels of financial performance. Henry L. Tosi and Thomas Greckhamer (2004) also supported this view and related cultural values to various components of CEO compensation in separate countries. He showed the relationship between cultural values and CEO compensation after controlling for macroeconomic factors and corporate governance variables. It has huge implications for people aspiring to occupy key positions in different nations.

Curtis E. Clements, John D. Neill and O. Scott Stovall(2009) empirically examined the role played by cultural factors in adoption of code of ethics for professional accountants by various member organizations. Cultures with high UAI and IDV would like to preserve their own specific code of conduct.

James H. Davis and John A. Ruhe(2003) applied Hofstede's model to analyze organizational percipience about corruption levels prevalent in its own country. Gaining knowledge about which cultural attributes explain perceptions of country corruption would help multinational firms and grant advancing institutions to appraise their estimation of country risk and accommodate their outlook on corruption.

Yungwook Kim and Soo-Yeon Kim (2010) empirically investigated the association between Hofstede's cultural values of public relations practitioners" and attitudes towards corporate social responsibility. But results of the study indicates that Hofstede's cultural values could not clarify public relations practitioners" approach towards CSR very radically as compared to social traditionalism.

Andy C. W. Chui and Chuck C. Y. Kwok (2008) explained that national culture is an important explanatory factor in consumption of not only products but services also, for example, life insurance. Since indefiniteness and vagueness are peculiar features of life insurance consumers indulge into a lot of research in terms and conditions, reputation of country concerned and afterwards take decisions using cultural perspective.

A.A. Tavakoli, John P. Keenan and B. Crnjak-Karanovic (2003) recognized the potential of Hofstede's model of national culture to explain managerial responsiveness towards something unethical going on in their respective organizations. Findings of this study will aid managers to devise communication channels, reporting systems and management structures. Organizations should adopt measures to safeguard whistleblowers in such a way that they don't fear retaliation while blowing a whistle.

Rajesh Chakrabarti, Swasti Gupta-Mukherjee and Narayanan Jayaraman (2009) argued that cultures which are poles apart are more likely to witness successful acquisitions in the long run because contrasting cultures will necessitate careful assessment and evaluation for potential integration.

Lucia Peek, Maria Roxas, George Peek, Yves Robichaud, Blanca E. Covarrubias Salazar and Jose N. Barragan Codina (2007) surveyed business students from three NAFTA countries regarding their perceptions on engagement in whistleblowing behavior.

#### **APPLICATIONS OF THE MODEL**

Author	Year	Application	Conclusion
Zaid Swaidan	2011	Consumer Ethics	Consumers with low IDV, high UAI, low MAS and low PDI display higher sensitivity towards ethical issues.
Alex W. H. Chan and Hoi Yan Cheung	2011	Corporate Governance	Quality of corporate governance is higher in high IDV, low UAI, and low MAS cultures.
Henry L. Tosi Thomas Greckhamer	2004	CEO Compensation	High PDI cultures are associated with high ratio of CEO pay to pay of lower level employees whereas higher UAI represents lower proportions of variable compensation to lower compensation. Highly masculine cultures endorse greater inequalities in income. High IDV cultures have higher total compensation and higher proportion of variable compensation to total CEO compensation.
Curtis E.Clements John D. Neill O. Scott Stovall	2009	Convergence of International Accounting Codes of Ethics	Low IDV and low UAI cultures will adopt IFAC Code of ethics without much reluctance.
James H. Davis and John A. Ruhe	2003	Corruption	High PDI, high MAS and low IDV can be useful for predicting corruption.
Yungwook Kim Soo-Yeon Kim	2010	Corporate Social Responsibility	Low IDV, high LTO and high UAI culminates into positive outlook towards CSR and high PDI partially justifies negative outlook towards CSR.
Andy C. W. Chui Chuck C. Y. Kwok	2008	Life Insurance	High IDV, low PDI and low MAS translates into higher consumption levels of life insurance while a weak association between UAI and life insurance is established.
A. A. Tavakoli John P. Keenan B. Crnjak-Karanovic	2003	Whistleblowing	Low PDI, high MAS, high IDV in U.S. culture which implies that U.S. managers will blow a whistle without fearing retaliation as compared to Croatian managers.
Rajesh Chakrabarti Swasti Gupta- Mukherjee Narayanan Jayaraman	2009	Mergers	In long run, integration would be highly successful if the two firms come from cultures which are distant from each other.
Randall S. Schuler Nikolai Rogovsky	1998	Compensation	High IDV cultures should employ individual compensation practices High IDV, Low UAI, low PDI cultures should offer share options and stock- ownership plans to employees. Highly MAS cultures have less preference for flexible benefits.
Lucia Peek Maria Roxas George Peek Yves Robichaud Blanca E. Covarrubias Salazar Jose N. Barragan Codina	2007	Whistle Blowing	Results of the studies partially supported the hypothesis that Mexican and U.S. students being highly MAS cultures will not believe that sexual harassment is taking place in the organization.

#### **CONCLUSION**

Culture is a fuzzy set of basic assumptions and values, orientations to life, beliefs, policies, procedures and behavioural conventions that are shared by a group of people, and that influence (but do not determine) each member's behavior and his/her interpretations of the 'meaning' of other people's behavior (Spencer-Oatey, 2008). Culture holds people together by way of shared ideas, customs, and social behavior in a society. Geert Hofstede, a social psychologist and anthropologist conducted an in-depth cross-cultural analysis and deliberated upon the affiliation between national culture and organizational culture. Hofstede's cultural dimensions are the most widely used cultural indices in the international business literature and contain a relatively large number of observations (Chui, A.C.W. and Kwok C.C.Y (2008). Although many researchers have built upon the pioneering works of Geert Hofstede, his work remains unsurpassable for many reasons. Many researchers have extensively used the model for explaining the interactions between national culture and management (Williamson, 2002). Even after three decades, this framework has explained associations between culture and management concepts like whistleblowing, consumer ethics, and

compensation of employees with great ease and in a simplistic way. But Hofstede's work is being widely criticized on account of many reasons. Firstly, since the respondents were restricted to a single organization, it could be biased. Secondly, many researchers argue that the framework has become outdated in recent times. But rejecting Hofstede's model of national culture, before more satisfactory models have been developed, would be to throw away valuable insight (Williamson, 2002).

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