

MUNI
ECON

The Sociocultural Environment

Chapter 7



Roadmap

- **Levels** of Culture
- **Layers** of Culture
- **High- and Low-Context** Cultures
- **Elements** of Culture
- **Hofstede's** Model
- **Managing** Cultural Differences

Goals of the Lecture

- Discuss how the **sociocultural environment** will affect the attractiveness of a potential market
- **Define culture** and name some of **its elements**
- Explain the '4 + 1' dimensions in **Hofstede's model**
- Discuss whether the world's cultures are **converging or diverging**

Warming up quiz

- Cultural differences and purchase intentions
- Link:
- Password:

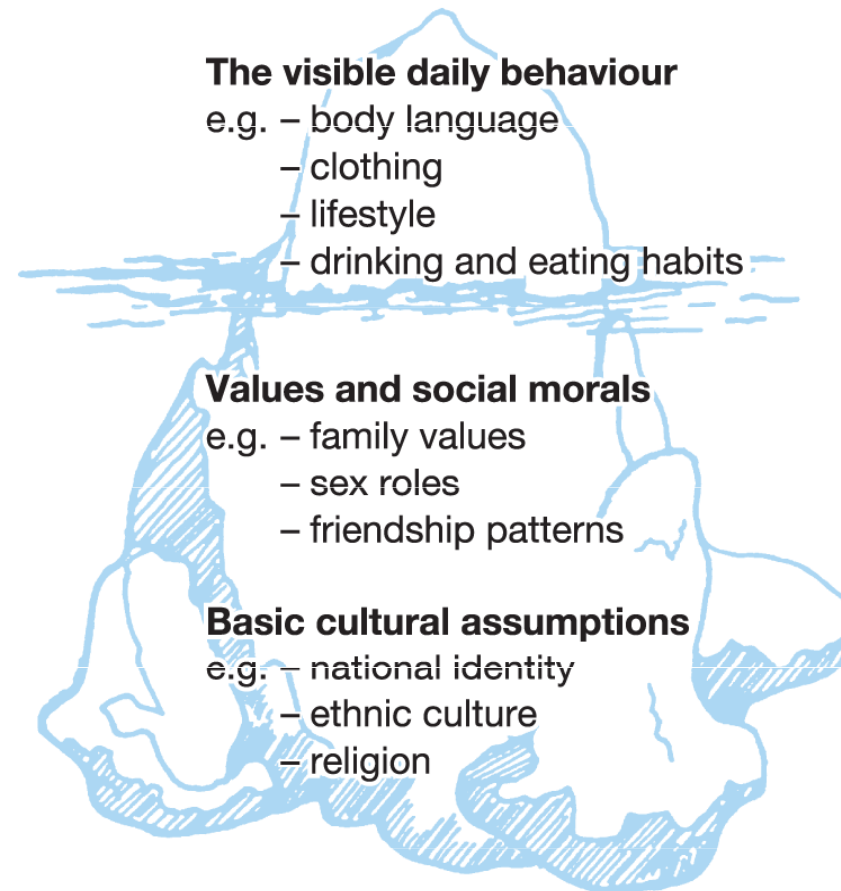
What is culture?



What is culture?

- The set of norms, values and practices that shape the behaviour of particular society and differs it among others
- Social **glue**
- The **learned ways** in which a society understands, decides and communicates
- Learned, interrelated and shared values, norms, behaviours and customs

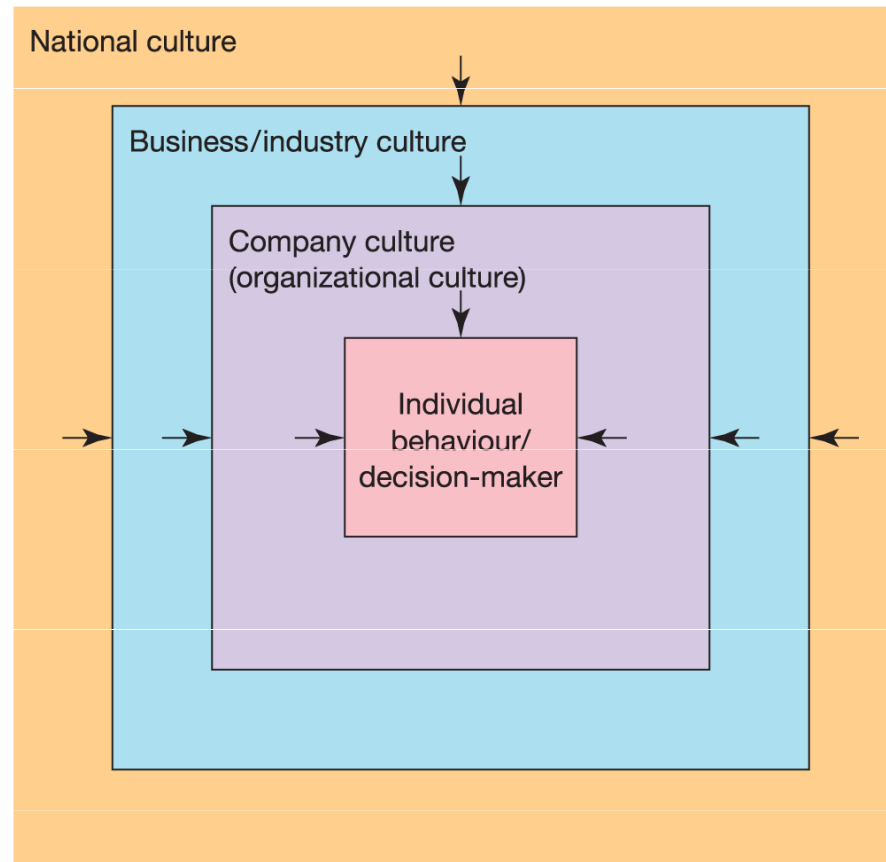
Levels of Culture



Layers of Culture

- Common framework to understand individual behavior
- National culture
- Business (industry) culture
- Company (organizational) culture
- Individual behavior

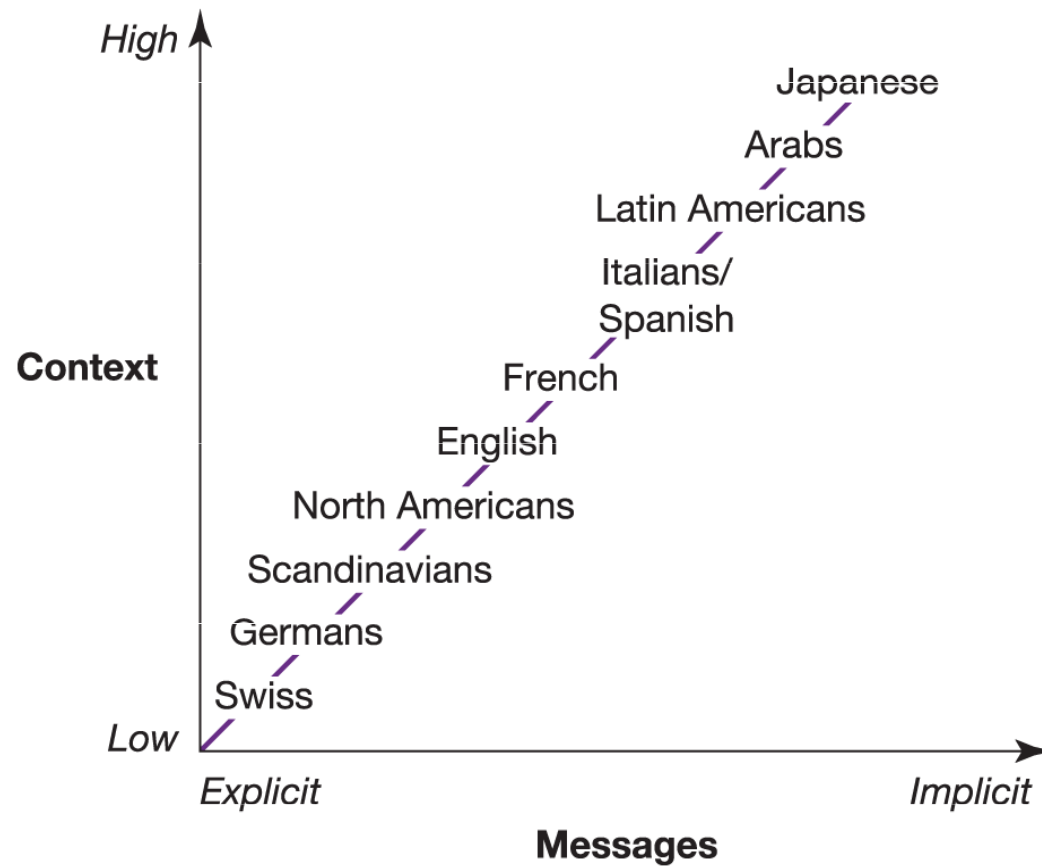
Layers of Culture



High- and Low-Context Cultures

- Edward T. Hall (1960)
- **Low-context** cultures rely on spoken and written language for meaning. Senders of messages encode their messages, expecting that the receivers will accurately decode the words used to gain a good understanding of the intended message
- **High-context** cultures use and interpret more of the elements surrounding the message to develop their understanding of the message. In high-context cultures the social importance and knowledge of the person and the social setting add extra information and will be perceived by the message receiver

High- and Low-Context Cultures



Elements of Culture?

Elements of Culture

- Language
 - verbal
 - Non-verbal
- Manners and customs (e.g., time, space, possessions, business agreements etc.)
- Technology and material culture
- Social institutions (reference groups)
- Education
- Values and attitudes
- Aesthetics
- Religion

Elements of Culture

Mother tongue (first language)	No. of speakers (million)
Chinese	1,000
English	350
Spanish	250
Hindi	200
Arabic	150
Bengali	150
Russian	150
Portuguese	135
Japanese	120
German	100
French	70
Punjabi	70

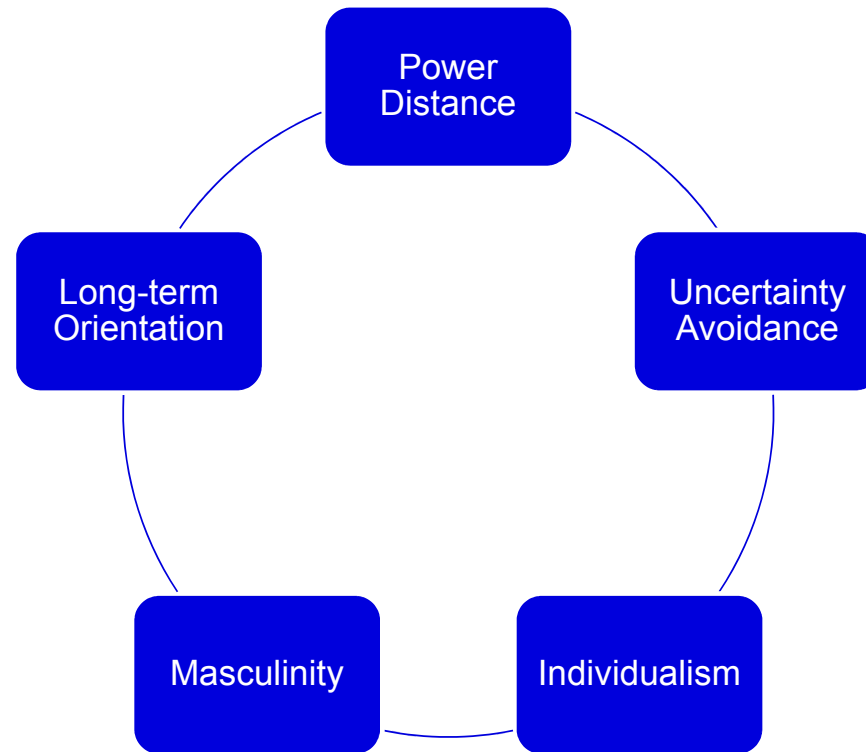
Note: Chinese is composed of a number of dialects of which Mandarin is the largest.

Elements of Culture

Non-verbal language	Implications for global marketing and business
<i>Time</i>	The importance of being 'on time'. In high-context cultures (e.g. Middle East, Latin America), time is flexible and not seen as a limited commodity.
<i>Space</i>	Conversational distance between people. <i>Example:</i> Individuals vary in the amount of space they want between themselves and others. Arabs and Latin Americans like to stand close to people they are talking to. If an American, who may not be comfortable with such proximity, backs away from an Arab, this might be mistaken as a negative reaction.
<i>Material possessions</i>	The relevance of material possessions and interest in the latest technology. This can have a certain importance in both low-context and high-context countries.
<i>Friendship patterns</i>	The significance of trusted friends as a social insurance in times of stress and emergency. <i>Example:</i> In high-context countries, extended social acquaintance and the establishment of appropriate personal relations are essential to conducting business. The feeling is that one should often know one's business partner on a personal level before transactions occur.
<i>Business agreements</i>	Rules of negotiations based on laws, moral practices or informal customs. <i>Example:</i> Rushing straight to business will not be rewarded in high-context cultures because deals are made not only on the basis of the best product or price, but also on the entity or person deemed most trustworthy. Contracts may be bound by handshakes, not complex agreements – a fact that makes some, especially western, businesspeople uneasy.

Questions?

Hofstede's Model



Hofstede's Model – Power Distance

- **Power Distance Index (PDI)** extent to which inequalities of power and wealth are commonly accepted

Low PDI	High PDI
<ul style="list-style-type: none">• Less strict hierarchies• Superiors are expected to socialize with staff• Employees take part in decision making or expressing opinions• Delegation of tasks and responsibilities• Ideal boss: good democrat• Co- determination• Less difference in income (tax laws support the fair distribution of income)	<ul style="list-style-type: none">• Strict hierarchies• Superiors do not mix with staff• Employeed expect directives and rules• Centralization of decision making and responsibility• Ideal boss: kind autocrat• Autocracy• High dependence of employees on superiors• Big differences in income

Hofstede's Model – Individualism

- **Individuality Index** (individuality versus collectivism – IDV) extent to which individual interests prevail over the interests of a group

Low IDV	High IDV
<ul style="list-style-type: none">• People are integrated into strong, cohesive in-groups, which throughout their lifetime continue to protect them in exchange for unquestioning loyalty• More „we“ than „I“• Harmony and loyalty within a company/group is very important and should always be maintained, confrontation should be avoided• The well-being of the company/groups/society is more important than individual freedom	<ul style="list-style-type: none">• Ties between individuals are loose• Everyone is expected to look after themselves and their immediate family• Emphasis on individual goals, which are more important than the group• Distinction of „I“• People emphasize their success/achievements to get better positions• Personal freedom more important than equality

Hofstede's Model – Masculinity

– Masculinity Index (MAS) masculinity vs. femininity

Low MAS	High MAS
<ul style="list-style-type: none">• Dominant values: quality of life and care for others• Willingness to adapt• Quality of life in focus• Sensitivity/ empathy• Work is necessary to make a living• Cooperation/ compromising and striving for consensus• Intuitive approach to problem solving• Small and slow steps are preferred	<ul style="list-style-type: none">• Dominant values: performance and success• Resolution• Career/ambition• Performance• Work is very important in life• Competition and competitive conflict behavior• Analytical approach to problem solving• Great and fast engagements and projects are beautiful

Hofstede's Model – Uncertainty Avoidance

- **Uncertainty Avoidance index (UAI)** extent to which people feel threatened by uncertain or unknown situations

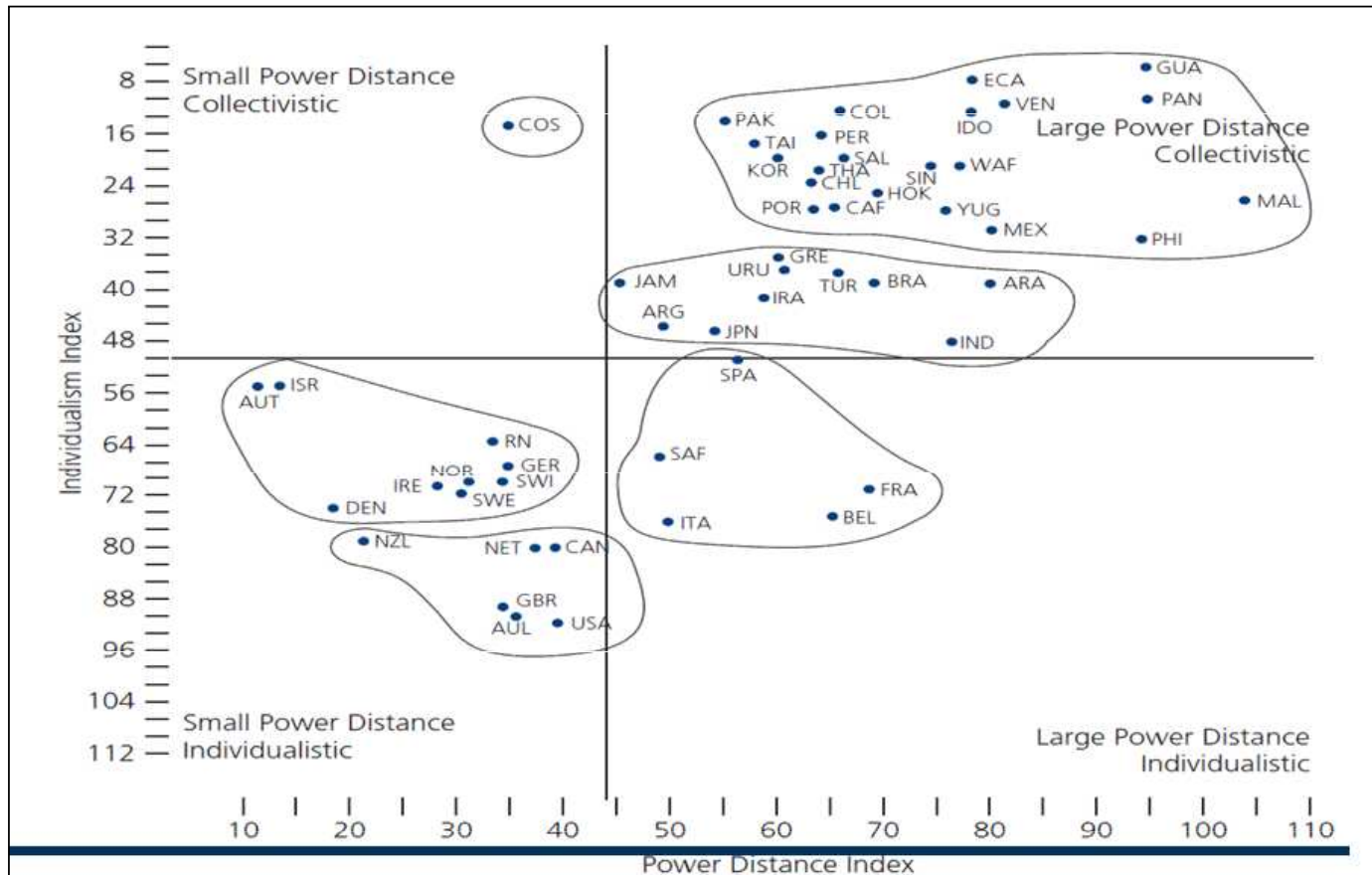
Low UAI	High UAI
<ul style="list-style-type: none">• Cultures that accept uncertainty• Aversion to rules• Open for new things and change• Little worries about the future• Avoidance of too many rules and formalities• Acceptance of generalist knowledge and common sense• Flexible organization and work environment	<ul style="list-style-type: none">• Cultures that avoid uncertainty• Desire for detailed rules and their control• Resistance to change/innovation• Higher demand for details in contracts• Expert and specialist knowledge are accepted• Formalization and standardization• Great and fast engagements and projects are beautiful

Hofstede's Model – Long-term Orientation

– Confucian Dynamism

Short-term Orientation	Long-term Orientation
<ul style="list-style-type: none">• Personal candor & stability• Avoiding loss of face• Respect of social & status obligations without consideration of costs• Low savings rates & low investment activity• Expectations of quick profit• Respect for traditions• Greetings, presents & courtesies based on reciprocity	<ul style="list-style-type: none">• Great endurance, persistence in pursuing goals• Position of ranking based on status• Adaptation of traditions to modern conditions• Respect of social & status obligations within limits• High savings rates & high investment activity• Readiness to subordinate oneself to a purpose• The feeling of shame

Hofstede's Model



Managing Cultural Differences

- Assessing the overall attractiveness of the market
- Cases
 - Punctuality
 - Presentation of business cards
- Self-reference criterion:
 - Define the problem or goal **in terms of home country culture**, traits, habits and norms
 - Define the problems or goals **in terms of the foreign culture**, traits, habits and norms
 - **Isolate the SRC influence** in the problem and examine it carefully to see how it complicates the problem
 - **Redefine the problem** without the SRC influence and solve for the foreign market situation

Managing Cultural Differences

- Convergence vs. Divergence of cultures
- Generation differences blurred
- Youth culture
- More culturally aware
- Differences between “young” and “old markets”
- Ethical concerns related to cultural differences

Managing Cultural Differences

Figure 6.4 Ethical decision making



Takeaways

- Cultural differences
- Marketing Implications
- Low and high context cultures
- Hofstede's dimensions
- Managing cultural differences

Questions?

Home-readings for Next Week

- Reading for next lecture:
 - International market selection process
 - *Hollensen – Global Marketing. Chapter 8*
- Case Study
 - Philips Lighting: Screening markets in the Middle East (p. 295)
- More info:



Thank you for your attention