

7

The sociocultural environment

Contents

- 7.1 Introduction
- 7.2 Layers of culture
- 7.3 High- and low-context cultures
- 7.4 Elements of culture
- 7.5 Hofstede's original work on national cultures (the '4 + 1' dimensions model)
- 7.6 The strengths and weaknesses of Hofstede's model
- 7.7 Managing cultural differences
- 7.8 Convergence or divergence of the world's cultures
- 7.9 The effects of cultural dimensions on ethical decision making
- 7.10 Social marketing
- 7.11 Summary

Case studies

- 7.1 Lifan
- 7.2 IKEA Catalogue
- 7.3 Video case study: Communicating in the global world

Learning objectives

After studying this chapter you should be able to do the following

- 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 the strengths and weaknesses of Hofstede's model.
- Discuss whether the world's cultures are converging or diverging.

7.1 Introduction

Culture as a concept is very difficult to define. Every author who has dealt with culture has given a different definition. Hofstede's (1980) definition is perhaps the best known to management scholars and is used here: 'Culture is the collective programming of the mind which distinguishes the members of one human group from another . . . Culture, in this sense, includes systems of values; and values are among the building blocks of culture' (p. 21).

The importance of culture to the international marketer is profound. It is an obvious source of difference. Some cultural differences are easier to manage than others. In tackling markets in which buyers speak different languages or follow other religions, for instance, the international marketer can plan in advance to manage specific points of difference. Often a greater problem is to understand the underlying attitudes and values of buyers in different countries.

The concept of culture is broad and extremely complex. It encompasses virtually every part of a person's life. The way in which people live together in a society is influenced by religion, education, family and reference groups. It is also influenced by legal, economic, political and technological forces. There are various interactions between these influences. We can look for cultural differences in the ways different societies communicate: different spoken languages are used, and the importance of spoken and other methods of communication (e.g. the use of space between people) will vary. The importance of work, the use of leisure, and the types of reward and recognition that people value vary from culture to culture. In some countries people are highly motivated by monetary rewards, while in other countries and cultures social position and recognition are more important.

Culture develops through recurrent social relationships which form patterns that are eventually internalized by members of the entire group. In other words, a culture does not stand still, but changes slowly over time. Finally, cultural differences are not necessarily visible but can be quite subtle, and can surface in situations where one would never notice them.

It is commonly agreed that a culture must have these three characteristics:

- 1 *It is learned*: that is, acquired by people over time through their membership of a group that transmits culture from generation to generation. In the case of a national culture, you learn most intensively in the early years of life. By the age of five you are already an expert in using your language. You have internalized values associated with such functions as:
 - interacting with other members of your family;
 - eliciting rewards and avoiding punishments;
 - negotiating for what you wanted;
 - causing and avoiding conflict.
- 2 *It is interrelated*: that is, one part of the culture is deeply connected with another part such as religion and marriage, business and social status.
- 3 *It is shared*: that is, tenets of a culture extend to other members of the group. The cultural values are passed on to an individual by other members of the culture group. These include parents, other adults, family, institutions such as schools, and friends.

Culture can be thought of as having three other levels (Figure 7.1). The tangible aspects of a culture – things you can see, hear, smell, taste or touch – are artefacts or manifestations of underlying values and assumptions that a group of people share. The structure of these elements is like that of an iceberg.

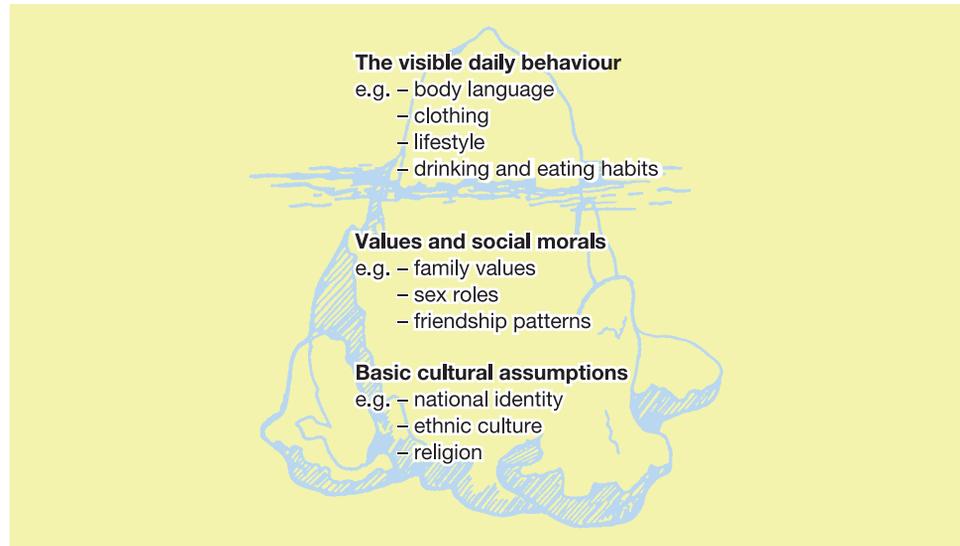
The part of the iceberg that you see above the water is only a small fraction of what is there. What you cannot see are the values and assumptions that can sink your ship if you mistakenly run into them. Daily behaviour is influenced by values and social morals that work closer to the surface than the basic cultural assumptions. The values and social norms help people to make adjustments to their short-term daily behaviour; these standards change over shorter periods of time (ten or 20 years), whereas the basic cultural assumptions are probably formed over centuries.

For the purposes of this book we will define **culture** as the learned ways in which a society understands, decides and communicates.

Culture

The learned ways in which a society understands, decides and communicates.

Figure 7.1 The visible and invisible parts of culture



One way to approach the analysis of cultural influences is to examine cultures by means of a high context/low context analysis. Because languages are an important component of culture and an important means of communication we will look at both spoken languages and silent languages.

The differences between some cultures may be large. Language and value differences between the Swiss and Chinese cultures, for instance, are considerable. There are also differences between the Spanish and Italian cultures, but they are much fewer. Both have languages based on Latin – they use the same written form of communication and they have similar, although not identical, values and norms.

Exhibit 7.1 Scotch whisky crossing international borders

Scotch whisky is consumed globally but bought for many different reasons. The right image has to be communicated for each culture, without of course losing any of the product's core brand values. The key value for Scotch generally is status.

In the United Kingdom this tends to be underplayed, never brash or 'in-your-face'. In Italy the image is more tied to machismo and any Scotch ad would have to show a man with a woman on his arm, flaunting the status the drink confers. In Japan, however, the status value is all about going with the majority. It is not aspirational to be individualistic in Japan.

Thus the understated drinker image that might work in the United Kingdom is inappropriate in other countries.

Source: adapted from Boundary Commission, *Marketing Week*, London, 29 January 1998; Sophie MacKenzie.

The use of communication techniques varies in different cultures. In some languages communication is based strictly on the words that are said or written; in others the more ambiguous elements such as surroundings or the social status of the message giver are important variables in the transmission of understanding. Hall (1960a) used this finding to make a generalized division between what he referred to as 'low-context cultures' and 'high-context cultures'.

7.2 Layers of culture

The norms of behaviour accepted by the members of the company organization become increasingly important with the company's internationalization. When people with increasingly diverse national cultural backgrounds are hired by international firms the layers of culture can provide a common framework to understand the various individuals' behaviour and their decision-making process of how to do business.

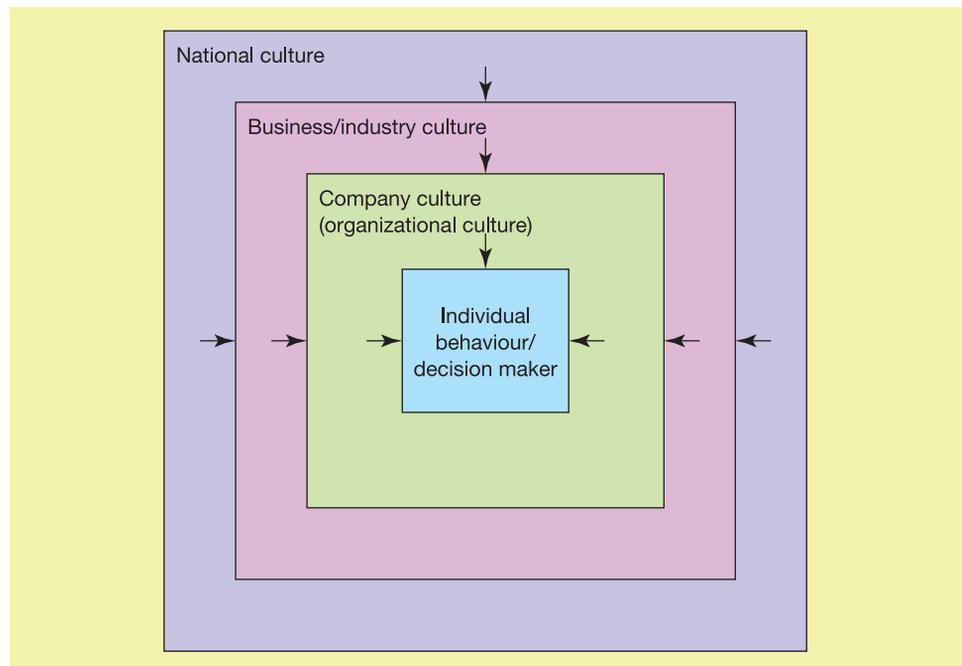
The behaviour of the individual person is influenced by different layers of culture. The national culture determines the values that influence business/industry culture, which then determines the culture of the individual company.

Figure 7.2 illustrates a typical negotiation situation between a seller in one country and a buyer in another country. The behaviour of the individual buyer or seller is influenced by cultural aspects on different levels, which are interrelated in a complex way. Each of the different levels influences the individual's probable behaviour.

In Figure 7.2 the different levels are looked at from a 'nesting' perspective, where the different culture levels are nested into each other in order to grasp the cultural interplay between the levels. The total nest consists of the following levels:

- *National culture.* This gives the overall framework of cultural concepts and legislation for business activities.
- *Business/industry culture.* Every business is conducted within a certain competitive framework and within a specific industry (or service sector). Sometimes these may overlap but, in general, a firm should be able to articulate quite clearly what business it is in. This level has its own cultural roots and history, and the players within this level know the rules of the game. Industry culture is very much related to a branch of industry, and this culture of business behaviour and ethics is similar across borders. For example, shipping, the oil business, international trading and electronics have similar characteristics across national borders.

Figure 7.2 The different layers of culture



- *Company culture (organizational culture)*. The total organization often contains sub-cultures of various functions. Functional culture is expressed through the shared values, beliefs, meanings and behaviours of the members of a function within an organization (e.g. marketing, finance, shipping, purchasing, top management and blue-collar workers).
- *Individual behaviour*. The individual is affected by the other cultural levels. In the interaction environment the individual becomes the core person who ‘interacts’ with the other actors in industrial marketing settings. The individual is seen as important because there are individual differences in perceiving the world. Culture is learned; it is not innate. The learning process creates individuals due to different environments in learning and different individual characteristics.

7.3 High- and low-context cultures

Edward T. Hall (1960a) introduced the concept of high and low contexts as a way of understanding different cultural orientation. Table 7.1 summarizes some of the ways in which high- and low-context cultures differ.

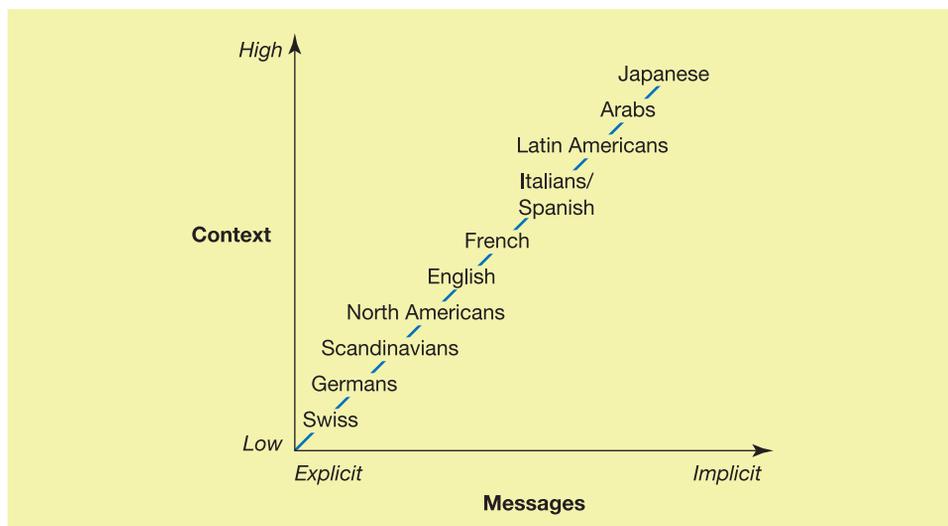
Low-context cultures
Rely only on spoken and written language (‘get everything down in the written contract’). Low degree of complexity in communication.

- **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.

Table 7.1 General comparative characteristics of cultures

Characteristic	Low-context/individualistic (e.g. western Europe, US)	High-context/collectivistic (e.g. Japan, China, Saudi Arabia)
<i>Communication and language</i>	Explicit, direct	Implicit, indirect
<i>Sense of self and space</i>	Informal handshakes	Formal hugs, bows and handshakes
<i>Dress and appearance</i>	Dress for individual success, wide variety	Indication of position in society, religious rule
<i>Food and eating habits</i>	Eating is a necessity, fast food	Eating is social event
<i>Time consciousness</i>	Linear, exact, promptness is valued, time = money	Elastic, relative, time spent on enjoyment, time = relationships
<i>Family and friends</i>	Nuclear family, self-oriented, value youth	Extended family, other oriented, loyalty and responsibility, respect for old age
<i>Values and norms</i>	Independence, confrontation of conflict	Group conformity, harmony
<i>Beliefs and attitudes</i>	Egalitarian, challenge authority, individuals control destiny, gender equity	Hierarchical, respect for authority, individuals accept destiny, gender roles
<i>Mental process and learning</i>	Linear, logical, sequential, problem solving	Lateral, holistic, simultaneous, accepting life’s difficulties
<i>Business/work habits</i>	Deal oriented (‘quickly getting down to business’), rewards based on achievement, work has value	Relationship oriented (‘first you make a friend, then you make a deal’), rewards based on seniority, work is a necessity

Figure 7.3 The contextual continuum of differing cultures



Source: Usunier, J.-C., 2000, *International Marketing*, Pearson Education Limited.

High-context cultures

Use more elements surrounding the message. The cultural context in where the message is communicated has a lot to say. High degree of complexity in communication.

- **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.

Figure 7.3 shows the contextual differences in the cultures around the world. At one extreme are the low-context cultures of northern Europe. At the other extreme are the high-context cultures. The Japanese and Arabs have a complex way of communicating with people according to their sociodemographic background.

In an analysis of industrial buyer behaviour in Arab countries Solberg (2002) found that building trust with partners willing to endorse one's products takes more time in Arab countries than is customary in the West. Networking – using the power of other partners – seems to play a far greater role for Arab buyers. In Arab countries the position of the agent and his network with prominent families may be critical for success. 'Falling in love' with the wrong agent may therefore spoil the exporter's chances of spending a long period of time in the market.

The greater the context difference between those trying to communicate, the greater the difficulty in achieving accurate communication.

7.4 Elements of culture

There are varying definitions of the elements of culture, including one (Murdoch, 1945) that counts 73 'cultural universals'.

The following elements are usually included in the concept of culture.

Language

A country's language is the key to its culture and can be described as the mirror of the culture. Thus, if one is to work extensively with any one culture, it is imperative to learn the language. Learning a language well means learning the culture because the words of the language are merely concepts reflecting the culture from which it derives.

Language can be divided into two major elements. The verbal language of vocal sounds in patterns that have meaning is the obvious element. Non-verbal language is less obvious, but it is a powerful communicator through body language, silences and social distance.

Verbal language

Verbal language is an important means of communication. In various forms, such as plays and poetry, the written word is regarded as part of the culture of a group of people. In the spoken form, the actual words spoken and the ways in which the words are pronounced provide clues to the receiver about the type of person who is speaking.

Language capability plays four distinct roles in global marketing:

- Language is important in information gathering and evaluation efforts. Rather than rely completely on the opinions of others, the manager is able to see and hear personally what is going on. People are far more comfortable speaking their own language, and this should be treated as an advantage. The best intelligence is gathered on a market by becoming part of the market rather than observing it from the outside. For example, local managers of a global corporation should be the firm's primary source of political information to assess potential risk. But take care, they may also be biased.
- Language provides access to local society. Although English may be widely spoken, and may even be the official company language, speaking the local language may make a dramatic difference. For example, firms that translate promotional materials and information are seen as being serious about doing business in the country.
- Language capability is increasingly important in company communications, whether within the corporate family or with channel members. Imagine the difficulties encountered by a country manager who must communicate with employees through an interpreter.
- Language provides more than the ability to communicate; it extends beyond mechanics to the interpretation of contexts.

A very important dimension of the language that can vary by culture is the extent to which communication is explicit or implicit. In explicit-language cultures managers are taught that to communicate effectively you should 'say what you mean, and mean what you say'. Vague directives and instructions are seen as a sign of poor communication abilities. The assumption in explicit-language cultures is that the burden of effective communication is on the speaker. In contrast, in implicit-language cultures (mostly high context) the assumption is that the speaker and listener both share the burden of effective communication. Implicit communication also helps avoid unpleasant and direct confrontations and disagreements.

Estimates of the main spoken languages around the world are given in Table 7.2.

Chinese is spoken as the mother tongue (or first language) by three times more people than the next largest language, English. However, Chinese is overtaken by English when spoken business-language population numbers are taken into account.

It should be noted that official languages are not always spoken by the whole population of a country. For example, French is an official language in Canada, but many Canadians have little or no fluency in French.

Hence English is often, but by no means always, the common language between businesspeople of different nationalities.

Non-verbal language

Non-verbal language is a powerful means of communication, according to Hall (1960a). The importance of non-verbal communication is greater in high-context countries. In these cultures people are more sensitive to a variety of different message

Non-verbal language
More important in high-context cultures: time, space (conversational distance between people), material possessions, friendship patterns and business agreements.

Table 7.2 Official languages and spoken languages in the world

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.

Source: adapted from Phillips *et al.*, 1994, p. 97.

systems, while in the low-context Anglo-Germanic cultures many of these non-verbal language messages would not be noticed.

Non-verbal language messages, according to Hall (1960b), communicate up to 90 per cent of the meaning in high-context cultures. Table 7.3 describes some of the main non-verbal languages.

Table 7.3 The main non-verbal languages in international business

Non-verbal language	Implications for global marketing and business
<i>Time</i>	The importance of being 'on time'. In the high-context cultures (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 separating them from others. Arabs and Latin Americans like to stand close to people they are talking with. If an American, who may not be comfortable with such close range, backs away from an Arab, this might be taken incorrectly 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.

Exhibit 7.2 Sensuality and touch culture in Saudi Arabian versus European advertising



Drakkar Noir: Sensuality and touch culture in Europe and Saudi Arabia

Source: Field, 1986.

Although Saudi Arabia has a population of only about 9 million people (including 2 million immigrants) the country is the sixth biggest fragrance market in the world behind the United States, Japan, Germany, France and Italy. Saudi Arabia also has the world's highest per capita consumption of fragrance, leaving all other countries far behind.

In promoting perfumes the big importers generally use the same advertising materials used by marketers in Europe. What is specifically Arabian in the campaigns is often dictated by Arabian morals.

Normally Saudi Arabia is a high-touch culture, but inappropriate use of touch in advertising messages may cause problems. The Drakkar Noir pictures show two advertisements for the men's perfume, in which Guy Laroche (via the advertising agency Mirabelle) tones down the sensuality for the Arab version. The European ad (left) shows a man's hand clutching the perfume bottle and a woman's hand seizing his bare forearm. In the Saudi version (right), the man's arm is clothed in a dark jacket sleeve, and the woman is touching the man's hand only with her fingertip.

Manners and customs

Changes occurring in manners and customs must be carefully monitored, especially in cases that seem to indicate a narrowing of cultural differences between peoples. Phenomena such as McDonald's and Coca-Cola have met with success around the world.

Understanding manners and customs is especially important in negotiations because interpretations based on one's own frame of reference may lead to a totally incorrect conclusion. To negotiate effectively abroad one needs to read correctly all types of communication.

In many cultures certain basic customs must be observed by the foreign business person. One of them concerns the use of the right and left hands. In so-called right-hand societies the left hand is the 'toilet hand' and using it to eat, for example, is considered impolite.

Technology and material culture

Material culture results from technology and is directly related to how a society organizes its economic activity. It is manifested in the availability and adequacy of the basic economic, social, financial and marketing infrastructures.

With technological advancement comes cultural convergence. Black-and-white television sets extensively penetrated the US market more than a decade before they reached similar levels in Europe and Japan. With colour television, the lag was reduced to five years. With videocassette recorders, the difference was only three years, but this time the Europeans and the Japanese led the way, while Americans concentrated on cable systems. With the compact disc, penetration rates were even after only one year. Today, with the Internet or MTV available by satellite across Europe, no lag exists at all.

Social institutions

Social institutions – business, political, family or class related – influence the behaviour of people and the ways in which people relate to each other. In some countries, for example, the family is the most important social group, and family relationships sometimes influence the work environment and employment practices.

In Latin America and the Arab world a manager who gives special treatment to a relative is considered to be fulfilling an obligation. From the Latin point of view, it makes sense only to hire someone you can trust. In the United States and Europe, however, it is considered favouritism and nepotism. In India there is a fair amount of nepotism. But there too it is consistent with the norms of the culture. By knowing the importance of family relationships in the workplace and in business transactions embarrassing questions about nepotism can be avoided.

An important part of the socialization process of consumers worldwide is *reference groups*. These groups provide the values and attitudes that become influential in shaping behaviour. Primary reference groups include the family, co-workers and other intimate groupings, whereas secondary groups are social organizations in which less continuous interaction takes place, such as professional associations and trade organizations.

Social organizations also determine the roles of managers and subordinates and how they relate to one another. In some cultures managers and subordinates are separated. In other cultures managers and subordinates are on a more common level, and work together in teams.

Education

Education includes the process of transmitting skills, ideas and attitudes, as well as training in particular disciplines. Even primitive peoples have been educated in this broader sense. For example, the Bushmen of South Africa are well educated for the culture in which they live.

One function of education is the transmission of the existing culture and traditions to the new generation. However, education can also be used for cultural change. The promotion of a communist culture in the People's Republic of China is a notable example, but this, too, is an aspect of education in most nations. Educational levels will

have an impact on various business functions. Training programmes for a production facility will have to take the educational backgrounds of trainees into account.

The global marketing manager may also have to be prepared to overcome obstacles in recruiting a suitable sales force or support personnel. For example, Japanese culture places a premium on loyalty, and employees consider themselves to be members of the corporate family. If a foreign firm decides to leave Japan employees may find themselves stranded in mid-career, unable to find a place in the Japanese business system. University graduates are therefore reluctant to join all but the largest and most well known of foreign firms.

If technology is marketed the level of sophistication of the product will depend on the educational level of future users. Product adaptation decisions are often influenced by the extent to which targeted customers are able to use the product or service properly.

Values and attitudes

Our attitudes and values help determine what we think is right or appropriate, what is important, and what is desirable. Some relate to marketing, and these are the ones we will look at here.

The more rooted values and attitudes are in central beliefs (such as religion), the more cautiously the global marketing manager has to move. Attitude towards change is basically positive in industrialized countries, whereas in more tradition-bound societies change is viewed with great suspicion, especially when it comes from a foreign entity.

In a conservative society there is generally a greater reluctance to take such risks. Therefore the marketer must also seek to reduce the risk involved in trying a new product as perceived by customers or distributors. In part this can be accomplished through education; guarantees, consignment selling or other marketing techniques can also be used.

Aesthetics

Aesthetics refers to attitudes towards beauty and good taste in the art, music, folklore and drama of a culture. The aesthetics of a particular culture can be important in the interpretation of symbolic meanings of various artistic expressions. What is and what is not acceptable may vary dramatically even in otherwise highly similar markets. Sex in advertising is an example.

It is important for companies to evaluate in depth such aesthetic factors as product and package design, colour, brand name and symbols. For instance, some conventional brand names that communicate positive messages in the United States have a totally different meaning in another country, which may substantially damage corporate image and marketing effectiveness (see Table 7.4).

Aesthetics

What is meant by good taste in art, music, folklore and drama may vary a lot from culture to culture.

Table 7.4 US brand names and slogans with offensive foreign translations

Company	Product	Brand name or slogan	Country	Meaning
ENCO	Petroleum	Former name of EXXON	Japan	'Stalled car'
American Motors	Automobile	Matador	Spain	'Killer'
Ford	Truck	Fiera	Spain	'Ugly old woman'
Pepsi	Soft drink	'Come alive with Pepsi'	Germany	'Come out of the grave'

Source: Copeland and Griggs, 1985, p. 62.

Religion

The major religions are shared by a number of national cultures:

- Christianity is the most widely practised. The majority of Christians live in Europe and the Americas, and numbers are growing rapidly in Africa.
- Islam is practised mainly in Africa, the Arab countries and around the Mediterranean, and in Indonesia. There has been a recent rise in Islamic fundamentalism in Iran, Pakistan, Algeria and elsewhere.
- Hinduism is most common in India. Beliefs emphasize the spiritual progress of each person's soul rather than hard work and wealth creation.
- Buddhism has adherents in central and south-east Asia, China, Korea and Japan. Like Hinduism it stresses spiritual achievement rather than wealth, although the continuing development of these regions shows that it does not necessarily impede economic activity.
- Confucianism has adherents mainly in China, Korea and Japan. The emphasis on loyalty and obligation between superiors and subordinates has influenced the development of family companies in these regions.

Religion can provide the basis for transcultural similarities under shared beliefs in Islam, Buddhism or Christianity, for example. Religion is of utmost importance in many countries. In the United States and Europe substantial efforts are made to keep government and church matters separate. Nevertheless there remains a healthy respect for individual religious differences. In some countries, such as Lebanon and Iran, religion may be the very foundation of the government and a dominant factor in business, political and educational decisions.

Religion may affect the global marketing strategy directly in the following ways:

- Religious holidays vary greatly among countries, not only from Christian to Muslim, but even from one Christian country to another. In general, Sundays are a religious holiday in all nations where Christianity is an important religion. In the Muslim world, however, the entire month of Ramadan is a religious holiday for all practical purposes.

In Saudi Arabia, for example, during the month of Ramadan, Muslims fast from sunrise to sunset. As a consequence worker production drops. Many Muslims rise earlier in the morning to eat before sunrise and may eat what they perceive to be enough to last until sunset. This affects their strength and stamina during the working day. An effort by management to maintain normal productivity levels will probably be rejected, so managers must learn to be sensitive to this and similar customs.

- Consumption patterns may be affected by religious requirements or taboos. Fish on Friday for Catholics used to be the classic example. Taboos against beef for Hindus and pork for Muslims and Jews are other examples. The pork restriction exists in Israel as well as in Islamic countries in the Middle East such as Saudi Arabia, Iraq and Iran, and south-east Asian countries such as Indonesia and Malaysia.
- Islamic worshippers pray facing the holy city of Mecca five times each day. Visiting westerners must be aware of this religious ritual. In Saudi Arabia and Iran it is not unusual for managers and workers to place carpets on the floor and kneel to pray several times during the day.
- The economic role of women varies from culture to culture, and religious beliefs are an important cause. In the Middle East women may be restricted in their capacity as consumers, as workers or as respondents in a marketing study. These differences can require major adjustments in the approach of a management conditioned to

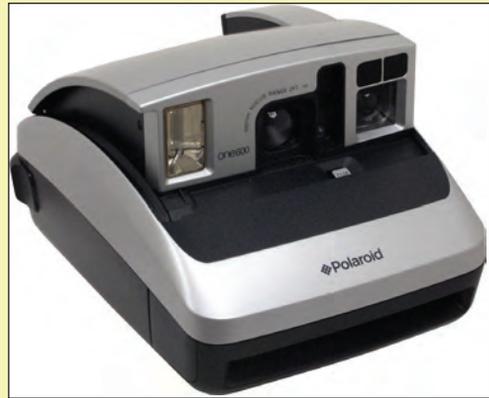
western markets. Women are, among other things, required to dress in such a way that their arms, legs, torso and faces are concealed. An American female would be expected to honour this dress code while in the host country.

Exhibit 7.3 Polaroid's success in Muslim markets

During the past 30 years Polaroid's instant photography has been largely responsible for breaking down taboos against picture taking in the Arab world, especially those concerning women revealing their faces.

When Polaroid entered the market in the mid-1960s it discovered that instant photography had a special appeal. Because of religious constraints there were only a few photo-processing laboratories. But with Polaroid's instant cameras Arab men were able to photograph their wives and daughters without fear of a stranger in a film laboratory seeing the women unveiled and without the risk of someone making duplicates.

Source: Harper, 1986.



7.5

Hofstede's original work on national cultures (the '4 + 1' dimensions model)

While an international manager may have neither the time nor the resources to obtain a comprehensive knowledge of a particular culture, a familiarity with the most pervasive cultural 'differentiators' can provide useful guidance for corporate strategy development. One approach to identifying these pervasive fundamental differences of national cultures is provided by Hofstede (1983). Hofstede tried to find an explanation for the fact that some concepts of motivation did not work in the same way in all countries. Hofstede based his research on an extensive IBM database from which – between 1967 and 1973 – 116,000 questionnaires (from IBM employees) were used in 72 countries and in 20 languages.

According to Hofstede, the way people in different countries perceive and interpret their world varies along four dimensions: power distance, uncertainty avoidance, individualism and masculinity.

- 1 *Power distance* refers to the degree of inequality between people in physical and educational terms (i.e. from relatively equal to extremely unequal). In high power distance societies power is concentrated among a few people at the top who make all the decisions. People at the other end simply carry these decisions out. They accept differences in power and wealth more readily. In low power distance societies, on the other hand, power is widely dispersed and relations among people are more egalitarian. The lower the power distance the more individuals will expect to participate in the organizational decision-making process. A high power distance score was observed in Japan. The United States and Canada record a middle-level rating on power distance, but countries such as Denmark, Austria and Israel exhibit much lower ratings.
- 2 *Uncertainty avoidance* concerns the degree to which people in a country prefer formal rules and fixed patterns of life, such as career structures and laws, as means

of enhancing security. Another important dimension of uncertainty avoidance is risk taking. High uncertainty avoidance is probably associated with risk aversion. Organization personnel in low uncertainty avoidance societies face the future as it takes shape without experiencing undue stress. In high uncertainty avoidance cultures managers engage in activities such as long-range planning to establish protective barriers to minimise the anxiety associated with future events. On uncertainty avoidance the United States and Canada score quite low, indicating an ability to be more responsive in coping with future changes. But Japan, Greece, Portugal and Belgium score high, indicating their desire to meet the future in a more structured and planned fashion.

- 3 *Individualism* denotes the degree to which people in a country learn to act as individuals rather than as members of groups. In individualistic societies people are self-centred and feel little need for dependency on others. They seek fulfilment of their own goals over the group's. In collectivistic societies members have a group mentality. They are interdependent on each other and seek mutual accommodation to maintain group harmony. Collectivistic managers have high loyalty to their organizations, and subscribe to joint decision making. The United Kingdom, Australia, Canada and the United States show very similar high ratings on individualism, while Japan, Brazil, Colombia, Chile and Venezuela exhibit very low ratings.
- 4 *Masculinity* relates to the degree to which 'masculine' values, such as achievement, performance, success, money and competition, prevail over 'feminine' values, such as quality of life, maintaining warm personal relationships, service, care for the weak, preserving the environment and solidarity. Masculine cultures exhibit different roles for men and women, and perceive anything big as important. The feminine cultures value 'small as beautiful', and stress quality of life and environment over materialistic ends. A relatively high masculinity index was observed for the United States, Italy and Japan. In low-masculinity societies such as Denmark and Sweden people are basically motivated by a more qualitative goal set as a means to job enrichment. Differences on masculinity scores are also reflected in the types of career opportunity available in organizations and associated job mobility.
- 5 *Time perspective* In a 23-country study, some years after Hofstede's original work, Hofstede and Bond (1988) identified a fifth dimension that they first termed Confucian Dynamism and then renamed 'time orientation'. This time orientation is defined as the way members in an organization exhibit a pragmatic future-oriented perspective rather than a conventional history or short-term point of view. The consequences of a high score on the long-term orientation (LTO) index are: persistence, ordering relationships by status and observing this order. The opposite is short-term orientation, which includes personal steadiness and stability.

Most south-east Asian markets, such as China, Hong Kong, Taiwan and South Korea, score high on the LTO index. This tendency has something to do with the Confucian traditions prevalent there. On the other hand many European countries are short-term oriented. They believe in preserving history and continuing past traditions.

7.6 The strengths and weaknesses of Hofstede's model

The model's strengths are as follows:

- Though the data are 30 years old no study since then has been based on such a large sample (116,000 respondents).

- The *information population* (IBM employees) is *controlled* across countries, which means comparisons can be made. This is a strength despite the difficulties of generalizing to other occupational groups within the same national culture.
- The *four dimensions* tap into deep cultural values and make significant comparisons between national cultures.
- The connotations of each dimension are highly *relevant*. The questions asked of the respondents relate to issues of importance to international managers.
- No other study compares so many other national cultures in so much detail. Simply, this is *the best there is*.

The model's weaknesses are as set out below:

- As with all national cultural studies, this one assumes that *national territory* and the limits of the culture correspond. But cultural homogeneity cannot be taken for granted in countries that include a range of culture groups or with socially dominant and inferior culture groups, such as the United States, Italy (North/South debate), Belgium (French and Flemish cultures) and Spain (Basque, Catalan and Castillian). The break-up of Yugoslavia during the 1990s demonstrates the futility of trying to create tight political units from disparate national cultures.
- Hofstede's respondents worked within a *single industry* (the computer industry) and a single multinational. This is misleading for two reasons. In any one country the values of IBM employees are typical only to a small group (educated, generally middle class, city dwelling); other social groups (for instance unskilled manual workers, public sector employees, family entrepreneurs, etc.) are more or less unrepresented. This problem of representation would occur whichever single company provided respondents.

Exhibit 7.4 Pocari Sweat - A Japanese soft drink expands sales in Asia

Pocari Sweat is a popular Japanese soft and sports drink, manufactured by Otsuka Pharmaceutical Co. Ltd. The brand started selling in Japan in 1980 and has secured a good foothold for international expansion. The drink is now distributed in other countries in the region including China (Hong Kong), South Korea, Taiwan, Thailand, Indonesia, and the United Arab Emirates. In addition it can be obtained in the 'Chinatown' areas of many cities around the world.

Pocari Sweat's slogan runs as follows:

'Pocari Sweat - A drink with Properties to your Body's own Fluids'

'60 per cent of the Human Body is made up of Body Fluids' is also included in advertising.

Contrary to the odd name and its translucent-grey colour, Pocari Sweat does not taste like sweat; it is a mild-tasting, relatively light, sweet drink.

- What do you think about the brand name (Pocari Sweat) and its slogan?

Sources: Otsuka Pharmaceutical Co. Ltd. www.waterlanders.com (website of Pocari Sweat).

The screenshot shows the Japanese website for Pocari Sweat. At the top, it says '大塚製薬' (Otsuka Pharmaceutical). The main heading is 'ポカリスエット' (Pocari Sweat) with the slogan 'イオンの力で、生まれ変わる。' (With the power of ions, you are reborn). Below this, there is a list of product features in English: 'Replenishment of the moisture and the ion is smooth', 'Optimum to sport and bath rising etc', and 'The moisture and the ion which are lost by the sweat (electrolyte) it is the healthy beverage which is replenished smoothly'. There is also a '今すぐ購入' (Buy now) button and a 'ブランドサイト' (Brand site) link.

- There may be technical difficulties in Hofstede's research due to an overlap between the four dimensions, e.g. small power distance/feminine and large power distance/masculine.
- Likewise the definition of the dimensions may be different from culture to culture, for example, collectivist behaviour in one context might have different connotations elsewhere. For instance, Japanese collectivism is organization based but Chinese collectivism is family based. In Japanese terms, a Taiwanese employee who places his family interests above the interests of the Japanese-owned multinational is disloyal and cannot be fully trusted.

7.7 Managing cultural differences

Having identified the most important factors of influence from the cultural environment on the firm's business and having analysed those factors, the international marketer is able to take decisions about how to react to the results of the analysis.

In accordance with Chapter 8 (The international market selection process) less attractive markets will not be considered further. On the other hand, in the more attractive markets, marketing management must decide to what extent adaptations to the given cultural specifics are needed.

For example, consider *punctuality*. In the most low-context cultures – the Germans, Swiss and Austrians, for example – punctuality is considered extremely important. If you have a meeting scheduled for 9.00 a.m. and you arrive at 9.07 a.m. you are considered 'late'. Punctuality is highly valued within these cultures, and to arrive late for a meeting (thus 'wasting' the time of those forced to wait for you) is not appreciated.

By contrast, in some southern European nations, and within Latin America, a somewhat 'looser' approach to time may pertain. This does not imply that one group is 'wrong' and the other 'right'. It simply illustrates that different approaches to the concept of time have evolved for a variety of reasons, over many centuries, within different cultural groups. Culture can and does influence the business sector in different parts of the world to function in distinct ways.

Another example of how cultural differences influence the business sector concerns the presentation of business cards. Within the United States – which has a very 'informal' culture – business cards are typically presented in a very casual manner. Cards are often handed out quickly and are just as quickly placed into the recipient's pocket or wallet for future reference.

In Japan, however – which has a comparatively 'formal' culture – the presentation of a business card is a more carefully orchestrated event. There, business cards are presented by holding the card up with two hands while the recipient carefully scrutinizes the information it contains. This procedure ensures that one's title is clearly understood: an important factor for the Japanese, where one's official position within one's organizational 'hierarchy' is of great significance.

To simply take the card of a Japanese and immediately place it in one's card holder could well be viewed (from a Japanese perspective) in a negative light. However, within the United States, to take several moments to carefully and deliberately scrutinize an American's business card might also be taken in a negative way, perhaps suggesting that one's credibility is in doubt.

These examples – the sense of time/punctuality and the presentation of the business card – illustrate just two of the many ways in which cultural factors can influence business relationships.

In attempting to understand another culture we inevitably interpret our new cultural surroundings on the basis of our existing knowledge of our own culture.

In global marketing it is particularly important to understand new markets in the same terms as buyers or potential buyers in that marketplace. For the marketing concept to be truly operational the international marketer needs to understand buyers in each marketplace and be able to use marketing research in an effective way.

Lee (1966) used the term *self-reference criterion* (SRC) to characterize our unconscious reference to our own cultural values. He suggested a four-step approach to eliminate SRC:

- 1 Define the problem or goal in terms of home country culture, traits, habits and norms.
- 2 Define the problems or goals in terms of the foreign culture, traits, habits and norms.
- 3 Isolate the SRC influence in the problem and examine it carefully to see how it complicates the problem.
- 4 Redefine the problem without the SRC influence and solve for the foreign market situation.

It is therefore of crucial importance that the culture of the country is seen in the context of that country. It is better to regard the culture as different from, rather than better or worse than, the home culture. In this way differences and similarities can be explored and the reasons for differences can be sought and explained.

7.8 Convergence or divergence of the world's cultures

As we have seen earlier in this book the right mix between local knowledge of different cultures and globalization/integration of national marketing strategies is the key to success in global marketing.

There seems to be a great difference in attitude towards the globalization of cultures among different age groups, the youth culture being more international/global than other age groups (Smith, 2000).

Youth culture

Countries may be at different stages in the evolution of particular product and service categories, but in most cases youth is becoming more homogeneous across national markets. Youth cultures are more international than national. There are still some strong national characteristics and beliefs, but they are being eroded. The McDonald's culture is spreading into southern Europe, and at the same time we can see satellite TV taking the values of MTV, *The Simpsons*, and Ricky Lake all over the world, with English language culture in their wake.

Differences between youth and adult markets are changing in several key respects, the professionals agree. Younger consumers differ from adults in emphasizing quality and being both discerning and technically literate. Younger consumers are now much more self-reliant and take responsibility far earlier. They are sensible, sophisticated and grown-up at an early age.

Generational barriers are now very blurred. The style leaders for many young people – musicians, sports stars and so on – are often in their 30s and 40s. Cultural and family influences remain very strong throughout Europe and the rest of the world. Few young people have 'role models', but they respect achievers particularly in music and

sport – and their parents, particularly if their parents have succeeded from humble beginnings.

The lack of clarity in age-group targeting has to be weighed against a growth in cross-border consistencies. But marketers should beware of strategies aimed too blatantly at younger consumers. Young people tend to reject marketing and promotions that are obviously targeted at ‘youth’. They perceive these to be false and hypocritical (Smith, 1998).

Today’s young people have greater freedom than previous generations had. They are more culturally aware and are reluctant to take anything – or anyone – at face value. Pasco (2000) argues that getting youngsters to relate to celebrities is increasingly difficult. Celebrities often fail or disappoint young people, and again they ‘sell out’, giving up the integrity for which they were admired in the first place.

Disillusion with celebrities has led young people to look elsewhere for inspiration. They select values from a range of individuals rather than buy wholesale into one. Despite their mistrust of corporations the young increasingly aspire to, and engage with, brands. It appears safer to invest emotionally in brands than in celebrities.

7.9

The effects of cultural dimensions on ethical decision making

As more and more firms operate globally an understanding of the effects of cultural differences on ethical decision making becomes increasingly important for avoiding potential business pitfalls and for designing effective *international marketing* management programmes.

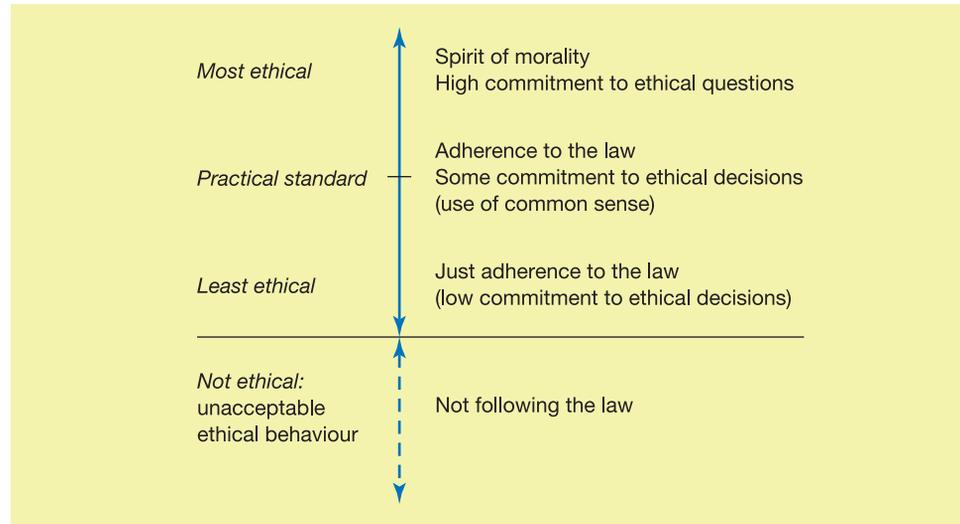
Culture is a fundamental determinant of ethical decision-making. It directly affects how an individual perceives ethical problems, alternatives and consequences. In order to succeed in today’s international markets managers must recognize and understand how ideas, values and moral standards differ across cultures, and how these in turn influence marketing decision making.

Some countries, such as India, are well known for ‘requiring’ small payments if customs officials are to allow goods to enter the country. While this may indeed be a bribe and illegal, the ethics of that country seem to allow it (at least to a certain extent). The company is then left with a problem: does it bribe the official, or does it wait for normal clearance and let its products sit in the customs warehouse for a considerably longer time?

Fees and commissions paid to a firm’s foreign intermediate or to consultant firms for their services are a particular problem – when does the legal fee become a bribe? One reason for employing a foreign representative or consultants is to benefit from their contacts with decision makers, especially in a foreign administration. If the export intermediary uses part of the fee to bribe administrators there is little that the firm can do.

Thus every culture – national, industry, organizational or professional – establishes a set of moral standards for business behaviour, that is, a code of business ethics. This set of standards influences all decisions and actions in a company, including, for example, what and how to manufacture (or not), what wages are appropriate to pay, how many hours personnel should work under what conditions, how to compete, and what communication guidelines to follow. Which actions are considered right or wrong, fair or unfair, in the conduct of business and which are particularly susceptible to ethical norms is heavily influenced by the culture in which they take place (the bribery theme is further discussed in Chapter 19).

Figure 7.4 Ethical decision making



The ethical commitment of an international company is illustrated in Figure 7.4 as a continuum from unacceptable ethical behaviour to most ethical decision making.

The adherence only to the letter of the law reflects minimally acceptable ethical behaviour. A classification of a company as ‘most ethical’ requires that the firm’s code of ethics should address the following six major issues:

- 1 *Organizational relations*, including competition, strategic alliances and local sourcing.
- 2 *Economic relations*, including financing, taxation, transfer prices, local reinvestment, equity participation.
- 3 *Employee relations*, including compensation, safety, human rights, non-discrimination, collective bargaining, training, and sexual harassment.
- 4 *Customer relations*, including pricing, quality and advertising.
- 5 *Industrial relations*, including technology transfer, research and development, infrastructure development and organizational stability/longevity.
- 6 *Political relations*, including legal compliance, bribery and other corrupt activities, subsidies, tax incentives, environmental protection and political involvement.

Exhibit 7.5 Levi Strauss: An example of a multinational company’s ethics code

Levi Strauss’s policy of being a responsible employer in developing countries, where poverty and social problems are endemic, is not something it shouts about. But it is at least partly designed to maintain that good image. Levi’s is better able to pursue such a policy because it remains a private, family-run business. That means it does not have to answer to big shareholders on Wall Street, who might want a greater emphasis on short-term profitability. But finding the balance between efficiency and social responsibility is a challenge to Levi’s.

In May 1993 Levi’s announced that it planned to end most of its business in the People’s Republic of China. This meant phasing out the use of Chinese subcontractors, which at that time accounted for about 2 per cent of total production (approximately \$50 million a year). The reason given was China’s record of ‘pervasive human rights abuses’.

The decision to leave China reflected principles embodied in the company’s organizational culture. This culture was expressed in sets of standards for doing business abroad, which emphasized a commitment to fair working conditions. If the company could not operate in a country without compromising its principles it should withdraw – as it had done in Myanmar and had threatened in Bangladesh.

Source: Various public media.

It is easy to generalise about the ethics of political payoffs and other types of payments; it is much more difficult to make the decision to withhold payment of money when the consequences of not making the payment may affect the company's ability to do business profitably or at all. With the variety of ethical standards and levels of morality that exist in different cultures the dilemma of ethics and pragmatism which faces international business cannot be resolved until more countries decide to deal effectively with the issue.

7.10 Social marketing

Social marketing

Planning, execution and evaluation of programmes to influence the voluntary behaviour of target audiences in order to improve their personal welfare (e.g. encouraging people to give up smoking).

Social marketing can be understood as the application of commercial marketing technologies to the analysis, planning, execution, and evaluation of programmes designed to influence the voluntary behaviour of target audiences in order to improve their personal welfare and that of their society (Hastings, 2003).

So social marketing is about changing behaviour: encouraging people to give up smoking, take exercise, or visit a sexual health clinic. These changes do not, for the most part, occur overnight. They involve a series of steps from initial contemplation through to reinforcement after the fact, a process that is both dynamic and precarious: the individual can regress or change heart at any point.

Social marketing is founded on trust, and therefore we have to start thinking in terms of long-term relationship building.

Social marketing has clear relations to commercial marketing. Still, social marketing is distinct from commercial marketing in that it focuses on resolving social problems, whereas commercial marketing focuses on producing various goods or services for a profit. The 'customer' of social marketing is normally not expected to pay a price equal to the cost of providing the service, whereas the customer of commercial marketing is expected to do so. Furthermore, social marketing should not be confused with socially responsible marketing, something in which all marketers should be engaged. Socially responsible marketing is commercial marketing that appropriately takes into account its social responsibilities in marketing ordinary products and services.

As such, social marketing focuses on influencing people's behaviour away from ways of acting or lifestyles that are designated as leading or contributing to a social problem and towards other ways of acting and lifestyles that will improve these people's well-being (or the well-being of others). This attempt to change people's behaviour may also involve modifications in their attitudes, values, norms and ideas. Indeed it may also require behavioural and value changes in the communities or groups of people with whom they live and/or associate.

The well-being of the individuals and/or society is not simply subjectively identified by the individuals involved but is subject to determination through processes of social argumentation and justification. This does not mean that everyone will agree with these processes.

Social marketers target people who may not believe, at least at the outset, that they suffer from a problem or any deficiency in their welfare. As such, social problems are identified independently of what any particular person or people may or may not believe. It is compatible with social marketing that the people social marketers address strongly believe that they do not have a problem. This might be the case of teenagers who abuse alcohol or drugs, fathers of Muslim girls in Bangladesh who do not really believe that their daughters should receive an education, or men in parts of Africa who wish to have their future wives undergo female circumcision. Case II.2 (Female Health

Company) illustrates some aspects of social marketing, by attempting to change sexual behaviour, especially among women in developing countries.

7.11 Summary

For international marketers it is important to understand customers' personal values and accepted norms of behaviour in order to market to them properly. At the same time marketers must search for groups with shared cognitions that result in shared views of the marketer's offerings and in similar product-related behaviour to simplify their task. Such groups may even exist across country borders.

How we perceive other cultures stems from our own cultural mind-set and it is very difficult not to take the ethnocentric point of view when classifying other cultures. Classification of cultures is necessary to develop marketing and advertising strategies in the global marketplace. Classifying cultures on dimensions has proved to be the most constructive method. It helps in vocalizing and labelling cultural differences and similarities. Many of the cultural differences are reflected in the type of communication culture used. In this chapter different models for classification have been discussed.

High/low context cultures

The difference between high- and low-context communication cultures helps us understand why, for example, Asian (high-context) and western (low-context) styles are so different, and why the Asians prefer indirect verbal communication and symbolism over the direct assertive communication approaches used by western people. Other dimensions, such as different concepts of time, can also explain major differences between East and West.

Hofstede's model

In order to construct a more refined classification system, Hofstede developed a model of '4 + 1' dimensions for comparing work-related values, based on data collected in an extensive study. This model also proves useful for comparing cultures with respect to consumption-related values. As a result it can explain the variety of values and motivations used in marketing and advertising across cultures.

It can also explain differences in actual consumption behaviour and product use and can thus assist in predicting consumer behaviour or effectiveness of marketing strategies for cultures other than one's own. This will be particularly useful for companies that want to develop global marketing and advertising strategies.

The problem of business ethics is infinitely more complex in the international marketplace because value judgements differ widely among culturally diverse groups. What is commonly accepted as right in one country may be completely unacceptable in another. Giving business gifts of high value, for example, is generally condemned in western countries, but in many countries of the world gifts are not only accepted but expected.

Social marketing can be defined as the planning and implementation of programmes designed to generate social change (e.g. stopping smoking is a life style change). It is a system that can be used to change the way people think or behave. Social marketing is still based on concepts of commercial marketing and, like commercial marketing, it utilizes research to tailor messages to a particular target audience.

The goal of social marketing is to get people to think differently about old ideas and focus on new concepts that will add values to their lives. Social marketing is especially prevalent among non-profit-making organizations, government agencies, community-based organizations, private foundations, social/health issue coalitions and indeed any entity that wants to effect social change.

CASE STUDY 7.1

Lifan: A Chinese subsupplier and brand manufacturer of motorcycles is aiming at the global market

In 1992 Yin Mingshan established the Lifan Group (www.lifan.com.cn) in Chongqing together with nine employees. Yin Mingshan was then 54 years old and came from a job as an editor in the Chongqing Publishing Agency. Lifan started out being a supplier of motorcycle parts to original equipment manufacturers (OEMs) of complete motorcycles and later became a supplier of complete motorcycle engines. Today it is a producer of its own branded Lifan motorcycle.

In ten years Lifan has developed into a state-level, large private enterprise – Chongqing Lifan Industrial (Group) Co. Ltd. There are more than 3,800 employees in the Group, which includes eight companies, three marketing companies and one city-level technical centre. Lifan was the first private company to establish a Party Committee within the company to help in the development of the company.

In September 2001 Lifan motorcycles were first sold to Japan, thus overwriting the established pattern of no motorcycles being exported to Japan from China. In Vietnam Lifan motorcycles have absolute predominance. The commercial counsellor of the Vietnamese Embassy in China said: 'In Vietnam, the Lifan brand is more famous than Honda.'

In order to make the best use of its brand, Lifan is manufacturing as an outsourcer household electrical goods, wine, anti-theft doors, mineral water, garniture, sports shoes, etc. and building a 'Lifan Pyramid' with motorcycles, engines, automobile electrics, agricultural machines and media.

In 2002 the Lifan Group achieved the following sales:



- 714,000 branded motorcycles, placing it fourth in the Chinese motorcycle industry;
- 1,840,000 motorcycle engines, which made it number one in the Chinese motorcycle industry.

More than 1 million motorcycle engines were exported to foreign markets. In 2002 Lifan had total sales of \$478 million, of which \$117 million came from export. Its motorcycles were exported to over 70 countries.

World market for motorcycles

The Japanese company Yamaha has published a market survey result, which shows the demand for motorcycles in the world will reach 27.5 million units, 60 per cent higher than in 2001. This survey indicated that, due to the continuous expansion of the Vietnamese and Indian motorcycle markets, the demand in 2002 in the Asian market (excluding China) is expected to reach 10.2 million units, 10 per cent higher than in 2001. The demand in China will reach 11.7 million units, 5 per cent higher than in 2001. The demand in Japan is expected to be 810,000

units in 2002, 3.8 per cent higher than in 2001 and in North America demand will be around 800,000 units, about 3 per cent higher than in 2001.

Since 1995 Chinese motorcycle production has ranked first in the world. In 2001 28.8 million units were exported from China and made China the number one motorcycle export country. However, there is still a gap between the motorcycle great powers such as Japan in areas such as sales income, brand, R&D and quality.

The management philosophy of Yin Mingshan, CEO of Lifan

Here are some statements, taken directly from the Lifan website:

Fellows, our burden is heavy, but we have confidence. Honda and Yamaha are all over, what shall we Lifan people do? I believe, with our plan of 'Big Lifan', 'New Lifan', with enterprise culture integration, the Lifan people will work together. When the civil industry is in the most dangerous situation, Lifan people are forced to shout out: 'innovation, innovation, innovation'. Then the ideal of 'Long live Lifan' will come true.

Finally, I wish all staff a Happy New Year and a Happy Family

(Yin Mingshan at the Spring Festival (Chinese New Year), March 2003)

The penetration of Lifan motorcycles in the world market has caused panic in the Japanese motorcycle manufacturing industry. This is the main reason why the Japanese press showed an interest in the Lifan Group. Another reason mentioned by Japanese journalists is that most Japanese think 90 per cent of Chinese motorcycles are copying Japanese motorcycles. They will give Japanese citizens an objective report on the existing situation in the Chinese motorcycle industry, and try to change the thinking of Japanese citizens.

Lifan invests in automobiles

Lifan has long held the ambition to enter the automobile industry. In January 2005 it made its debut into the car market with the introduction of the Lifan 520 sedan, assembled in the company's new assembly plant in China. The US\$ 9,700 price tag on the car includes leather seats, dual air bags, a huge trunk and a DVD system with a video screen facing the front passenger – a combination that could cost twice as much in a comparably equipped midsize sedan in the United States.

Wages of less than \$100 a month have helped control the cost. The assembly plant is better organized than many Chinese factories, although it still maintains large inventories of parts and materials awaiting assembly, incurring interest charges to finance these supplies.

President of the Lifan Group, Yin Mingshan, has no doubts that China can also compete with the United States. 'Americans work five days a week, we in China work "seven days",' he says. 'Americans work 8 hours a day, and we work 16 hours.' (www.lifan.cn/en/shownews).

Lifan has started exports of its Lifan 520 Sedan to developing countries in Asia, the Middle East and the Caribbean. But several more years of work is needed before the company is ready to compete in industrialized countries.

As Yin Mingshan concludes: 'Chairman Mao taught us: if you can win then fight the war, if you cannot win, then run away. I want to train my army in these smaller markets, and when we are ready, we will move on to bigger markets.'

Chongqing motorcycle manufacturers turn to automobiles

As Lifan aggressively enters automobile manufacturing another two motorcycle manufacturers in Chongqing, Loncin and Zongshen, are also targeting the automobile industry. Loncin and Chendu Shanlu Automobile Co. Ltd established Loncin Chendu Automobile Co. Ltd and plan to reach an annual output of 30 million automobiles in three years.

Data shows that the domestic motorcycle market capacity has reached 12 million units, and will reach 15 million units within five years. This is the saturated capacity of the market. Meanwhile, owing to tough market competition, the profit of each motorcycle manufacturer is reducing rapidly.

The worst is that Honda has pushed forward a cheap style to the south-east Asia market, only \$700+ against the price advantage of Chongqing motorcycles. This is a great threat to Chongqing motorcycle manufacturers and their overseas markets. Though they have been exploring new bases and seeking new markets in the Middle East, South Asia, South America and Africa, they know the motorcycle industry is at the top of the growth curve.

Compared to the sad state of affairs in the motorcycle industry, the automobile manufacturing industry has a wonderful future. In recent years the bus market has been increasing at better than 20 per cent. Especially under the push of expanding financial

policies, the highway is being laid out all over the country, which has brought senior grade buses a broad market space. Besides, the existing urban buses are old, but with the development of cities they will be updated. A survey by Lifan shows that in the coming ten years, market capacity for buses will be still over 20 per cent. The huge market demands ensures profit. The profit on automobiles is about 10 per cent, the net profit is 8 per cent, twice that of motorcycles. In the coming five years this figure won't be changing much. (Lifan News, 6 March 2003.)

Source: adapted from the Lifan website.

Questions

- 1 Based on the information in the case, how is the international marketing management philosophy in Lifan different from a typical company in western Europe?
- 2 How can the difference in marketing management philosophy be explained by the differences in culture between western Europe and China?
- 3 How should Lifan overcome the cultural differences if they decide to enter the western European market?

CASE STUDY 7.2

IKEA Catalogue: Are there any cultural differences?

IKEA was founded in Älmhult, Sweden in 1943 by Ingvar Kamprad. The company name is a composite of the first letters in his name in addition to the first letters of the names of the property and the village in which he grew up: Ingvar Kamprad Elmtaryd Agunnaryd.

The IKEA business philosophy is: 'We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.'

In the late 1940s, the first IKEA advertisements appeared in local newspapers. Demand for IKEA



Illustration of the same product in the IKEA Catalogue in Denmark and Shanghai

Source: IKEA Catalogue, Denmark and Shanghai, 2005.



products soared, and Ingvar Kamprad quickly outgrew his ability to make individual sales calls. As a result, he began operating a mail order catalogue and distributed his products via the county milk van. This resourceful solution to a difficult problem led to the annual IKEA catalogue.

First published in Swedish in 1951, the IKEA catalogue was, in 2006, published each summer in 47 different editions, in 24 languages for 32 countries, and is considered to be the main marketing tool of the retail giant, consuming 70 per cent of the company's annual marketing budget. In terms of publishing quantity, the catalogue has surpassed the Bible as the world's most published work – at an estimated 160 million copies (in 2006) worldwide – triple that of its less materialistic counterpart. However, since the catalogue is free of charge, the Bible continues to be the most purchased non-fiction work.

In Europe alone the catalogue reaches more than 200 million people annually. Containing over 300 pages and about 12,000 products, it is distributed free of charge both in stores and by mail. The annual catalogue is distributed in August/September of each year and is valid for a full year. Prices in the catalogue are guaranteed not to increase while the catalogue is valid. Most of the catalogue is produced by IKEA Catalogue Services AB in IKEA's home town of Älmhult, Sweden.

At the beginning of 2006 there were 221 IKEA stores operating under a franchise from Inter IKEA Systems BV. Total IKEA turnover in 2005 was €15.2 billion.

IKEA accounts for just 5 to 10 per cent of the furniture market in each country in which it operates. More important is that the awareness of the IKEA brand is much bigger than the size of the company. That is because IKEA is far more than a furniture merchant. It sells a Scandinavian lifestyle that customers around the world embrace.

Cultural difference

There are about 12,000 products in the total IKEA product range. Each store carries a selection of these 12,000 products depending on store size. The core range is the same worldwide, but as shown there are differences in how the IKEA catalogue displays its products in the different national editions. Here we have two different illustrations featuring the same product. In this case the two illustrations for the same product are taken from the Danish and the Chinese catalogues.

Source: www.ikea.com.

Questions

- 1 Discuss the advantages and disadvantages of having the same product range shown in all IKEA catalogues around the world?
- 2 The catalogue is the most important element in IKEA's global marketing planning. Discuss if there could be some cultural differences in the effectiveness of the catalogue as a marketing tool
- 3 Explain some cultural differences which are illustrated by the two different illustrations of the same product (from the Danish and Chinese IKEA catalogues).

VIDEO
CASE STUDY
7.3

download from
www.pearsoned.co.uk/hollensen

Communicating in the global world

This video identifies the challenges to effective communication in the global marketplace. Communication across language, cultural, time and technology barriers can be challenging. A significant amount of research needs to be conducted before a company can engage in successful global business ventures. It is necessary to examine thoroughly differences in gestures, expressions and dialect when communicating across cultures so as not to offend anyone. Understanding time zones is also important, as they force organizations to plan carefully in advance in order to develop, translate and deliver information in a timely manner.

Questions

- 1 Language can be a barrier to effective communication. What steps can a company take to minimize language barriers across borders?
- 2 Cultural differences need to be considered when communicating across borders. What characteristics of a country's culture need to be researched to ensure business success across borders?
- 3 This video mentions that some companies have trusted contacts in a country they wish to do business with, while other companies rely on a significant amount of research to learn more about cultural characteristics, etc. What method do you feel is most effective for gathering useful, accurate and up-to-date information regarding cultural issues?

For further exercises and cases, see this book's website at www.pearsoned.co.uk/hollensen



Questions for discussion

- 1 Because English is the world language of business, is it necessary for UK managers to learn a foreign language?
- 2 According to Hofstede and Hall, Asians are (a) more group oriented, (b) more family oriented and (c) more concerned with social status. How might such orientations affect the way you market your product to Asian consumers?
- 3 Do you think that cultural differences between nations are more or less important than cultural variations within nations? Under what circumstances is each important?
- 4 Identify some constraints in marketing to a traditional Muslim society. Use some of the examples in the chapter.
- 5 What layers of culture have the strongest influence on business people's behaviour?
- 6 The focus of this chapter has mainly been the influence of culture on international marketing strategies. Try also to discuss the potential influences of marketing on cultures.
- 7 What role does the self-reference criterion play in international business ethics?
- 8 Compare the role of women in your country to their role in other cultures. How do the different roles affect women's behaviour as consumers and as business people?

References

- Copeland, L. and Griggs, L. (1985) *Going International*, Random House, New York.
- Field, M. (1986) 'Fragrance marketers sniff out rich aroma', *Advertising Age* (special report on 'Marketing to the Arab world'), 30 January, p. 10.
- Hall, E.T. (1960a) *The Silent Language*. Garden City, NY: Doubleday.
- Hall, E.T. (1960b) 'The silent language in overseas business', *Harvard Business Review*, May–June, pp. 87–97.
- Harper, T. (1986) 'Polaroid clicks instantly in Moslem market', *Advertising Age* (special report on 'Marketing to the Arab world'), 30 January, p. 12.
- Hastings, G. (2003) 'Relational paradigms in social marketing', *Journal of Macromarketing*, 23(1), June pp. 6–15.
- Hofstede, G. (1980) *Culture's Consequences: International differences in work-related values*, Sage, Beverly Hills, CA, and London.
- Hofstede, G. (1983) 'The cultural relativity of organizational practices and theories', *Journal of International Business Studies*, Fall, pp. 75–89.
- Hofstede, G. and Bond, M.R. (1988) 'The Confucius connection: from cultural roots to economic growth', *Organizational Dynamics*, 16(4), pp. 4–21.
- Lee, J. (1966) 'Cultural analysis in overseas operations', *Harvard Business Review*, March–April, pp. 106–114.
- MacKenzie, S. (1998) 'Boundary commission', *Marketing Week*, London, 29 January.
- Murdoch, G.P. (1945) 'The common denominator of cultures', in Linton, R. (ed.), *The Science of Man in the World Crises*, Columbia University Press, New York.
- Pasco, M. (2000) 'Brands are replacing celebrities as role models for today's youth', *Kids Marketing Report*, 27 January.
- Phillips, C., Doole, I. and Lowe, R. (1994) *International Marketing Strategy: Analysis, development and implementation*, Routledge, London.
- Smith, D.S. (1998) 'Europe's youth is our future', *Marketing*, London, 22 January.
- Smith, K.V. (2000) 'Why SFA is a tough sell in Latin America', *Marketing News*, Chicago, 3 January.
- Solberg, C.A. (2002) 'Culture and industrial buyer behaviour: the Arab experience', Paper presented at the 18th *IMP Conference*, pp. 1–34.
- Usunier, J.C. (2000) *International Marketing*, Pearson Education, Harlow.