

Debate

Organizational Culture vs. National Culture

ISSUE: Does national culture predict consumer behavior and organizational culture?

Culture provides a guide or the directions for how we think and behave. Cateora et. al. defines the five elements of culture as values, rituals, symbols, beliefs, and thought processes. Cultural values that can influence business have been found in the work of Geert Hofstede. Hofstede identified four cultural dimensions that can have a profound impact on the business environment: individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity.

The individualism/collectivism dimension of culture refers to how self-oriented members of a culture are in their behavior. Individualist cultures place a high value on individual achievement and self-interest. The United States is an example of an individualistic culture. Collectivist cultures value working toward collective goals and group harmony. Mexico and several countries in Asia adhere to more collectivistic principles.

The power distance dimension refers to the “power inequality” between superiors and subordinates. The United States has some elements of both a higher and a lower power distance culture. Over the years, the U.S. business environment has adopted forms of management, such as participative management, that place supervisors and subordinates on more equal terms. Arab countries score higher on the power distance dimension. Cultures with high power distance tend to be more hierarchal.

Uncertainty avoidance refers to how members of a society respond to uncertainty or ambiguity. Cultures that score high on the uncertainty avoidance dimension, such as Great Britain, tend to avoid risk-taking. Organizations within these cultures may have more rules in place to ensure that employees do not deviate from accepted standards. Cultures with less uncertainty avoidance, such as Canada, believe that risk-taking and innovation are important in achieving successful outcomes.

A key question involves how culture affects consumer behavior around the world. For instance, how would the individualism versus collectivism index in Hofstede’s framework influence the purchase of clothing, a smartphone, or an iPad in the different countries of Japan, the United States, and France? Why are KFC, Subway, and McDonald’s successful in most countries, even when they have significantly different cultures? Are there other reasons for these companies’ success?

Another area of interest is how the culture of a country influences the culture of a business. Organizations that become global have to adjust to many different environments. Many of these companies focus on the diversity of employees in dealing with customers in different countries. While Hofstede describes the cultural values of people in different countries, organizational cultures are different. The culture of employees working in global businesses may be different from the national culture of one country. This is because businesses develop their own values and culture. However, do these values always reflect the national culture?

Organizational values are specific to a mission statement that guides conduct and relationships with stakeholders. Organizational values may not be the same as individual values in that they are identified and supported by top

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management to develop a shared understanding for expected behavior. Values are selected by leadership to make sure everyone understands what the organization stands for, including ethical behavior and social responsibility. Organizational values should be highly visible and demonstrated effectively by managers. An organization's culture is based on values, norms, and behavior. Unlike values, norms are behavioral expectations and have a high degree of specificity and clarity and require desirable behaviors in the form of policies and procedures.

Accelerating change in communication, especially social media and social sharing, could be changing the nature of culture and its impact on both individuals and organizations. On the other hand, national culture may be important in marketing for organizations and understanding consumer behavior.

There are two sides to every issue:

1. The individual values of a country (as defined by Hofstede) predict organizational culture and consumer behavior.
2. National culture cannot necessarily be used to predict organizational culture and consumer behavior.

Sources:

Adapted from O.C. Ferrell, John Fraedrich, and Linda Ferrell, *Business Ethics: Ethical Decision Making and Cases*, forthcoming 9th ed. (Mason, OH: South-Western Cengage Learning, 2013).