

International Marketing
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Lecture – 10
Hofstede's Cultural Dimensions, Cross-Cultural Sales Negotiations

Good evening students, how are you doing? Welcome to my session module 3, lecture 10. We will today discuss about Hofstede's cultural dimension and cross-cultural sales negotiations, which will be extremely useful for all of you. The practicing managers or the students who will become in future looking for a **career** in international marketing this today's class will be very useful.

So, first of all before I start this class, let me explain to you why cross-cultural dimensions are extremely important for you to understand. Imagine you are an international business manager or international marketing manager and responsible for couple of countries say Singapore, Malaysia, Hong Kong, Thailand and Japan these countries or maybe in Middle East or maybe in United States of America or a couple of European countries.

So, the first thing will come to your mind what about the culture of Japan, how typically the culture in Japan, how it varies with India? Because you are from India, so you will always compare the culture of Japan how it is different from India? How the culture of Singapore will be different? How the culture of Malaysia will be different. How the culture of US will be different or the any of the European countries will be different?

So, imagine there are so many countries and a company needs to go to each of these important countries to market the product. So, before marketing the products, they have to understand what are the typically the cultural dimensions in all these countries you have to understand. Now this is great scientist's Hofstede's 6 cultural dimensions. So, Hofstede; I will introduce you a great scientist Hofstede who has developed the 6 cultural dimensions which are extremely useful for the business managers.

Let me tell you me working for many years in international market, I have extensively used his cultural dimensions for while I was doing the marketing in various countries. Let me first introduce this great gentleman.

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What Motivated Hofstede?

Hofstede was an engineer. The motivation for study of culture comes from deep in his own life.

Geert Hofstede (1928-2020)

- Dutch Social Psychologist
- Worked for IBM
- Professor Emeritus, Anthropology & International Management, Maastricht University, Netherlands
- Founded personnel research department of IBM Europe.
- Visited multiple countries.
- Conducted research during 1967-1973.
- 117,000 IBM employees.
- 40 countries.
- 4 cultural issues (later 6)

Photo and letter credits: from Documentary Video about Geert Hofstede "Geert Hofstede AN ENGINEER'S ODYSSEY 2014"
Video link: <https://youtu.be/xbljgm-9Pkw> (accessed on 14 November, 2021)
Video found via: geerthofstede.nl

Hofstede was an engineer and the motivation of study of culture comes from deep in his own life. He is a Dutch social psychologist worked with a large corporation IBM. Professor Emeritus, Anthropology and International Management. Founded a personnel research department of IBM in Europe. Visited multiple countries. Conducted research during long period 1967 to 1973, huge long period and he has done this with 1,17,000 IBM employees in 40 countries, 4 cultures.

So, he initially came up with 4 cultural dimensions and then later came up with 6 cultural dimensions. So, these are extremely important and I am sure you will really enjoy the work done by him and it is how practical for you to use his cultural parameters or cultural dimensions before you take a decision for a negotiation or a market expansion to an international market. I have referred a documentary a video link here.

I would encourage you to go through this video, which you will really like. And also there are two video references I have given here and I will encourage you to please go through the YouTube and go through these videos.

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This is Hofstede's wife, Van Den Hoek and how she inspired Hofstede for doing this analysis.
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See Hofstede in a letter to his wife shares his thoughts about role of people's backgrounds in business deals, bringing peace to the world and to the industry. So, he had written a letter to his wife and he shared his thoughts about the role of people in the background in the business deals. So, what is the role of the people in the business deal and how the cultural dimensions are extremely crucial in business deals while you are making a negotiation in a foreign country

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Part of letter writes...

“
What do I hope for?
I want to have a family together with you and to safeguard and restore humanity in the industry
And that there will be no more war and to bridge the differences in the world and that we have not lived our lives in vain
And if GOD should test us that we would have the strength to do it
And that I shall learn not to be so self-absorbed. ”

So, the part of the letter what he has written to his wife, it says what do I hope for? I want to have a family together with you and to safeguard and restore humanity in the industry. So, you see how nicely he said, humanity in the industry. And that there will be no more war and to bridge the differences in the world that would that we have not lived our lives in vain. And if God should test us that we would have the strength to do it. And that I shall learn not to be so self-absorbed. So, that is a part of the later I thought to extract it and to share it with you.

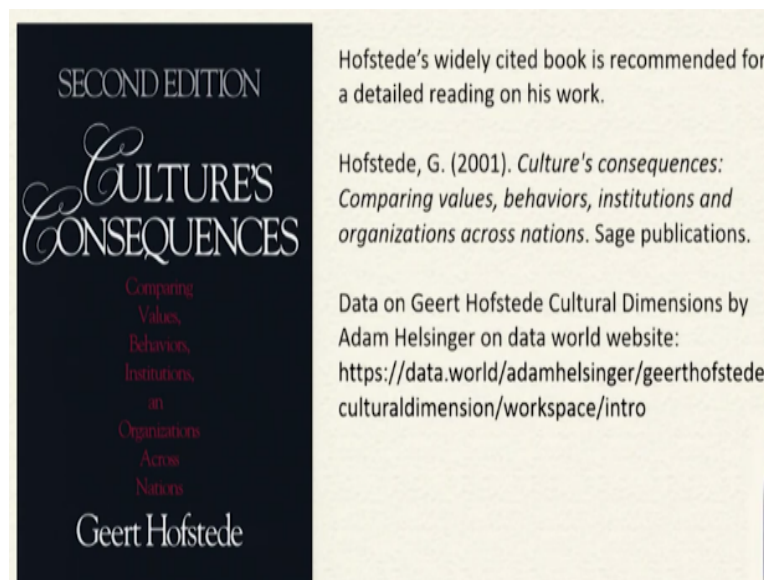
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“Everybody has a task in life and we have to drive to find
And Who gives you the task is GOD.
The task is I think that circumstances enabled me to fulfil, is to make people aware of the affect of people's backgrounds in the communication and...
And therefore to contribute to little bit to understanding between people, between group of people...”
- Hofstede says in the documentary film interview

So, everybody has a task in life and we have to drive to find who gives you the task is God. The task I think that circumstances enabled me to fulfil is to make people aware of the affect of people's backgrounds in the communication and, and therefore to contribute to little bit understanding between people, between group of people. So that is the documentary video if you look, if you go through that documentary video, you will go through that.

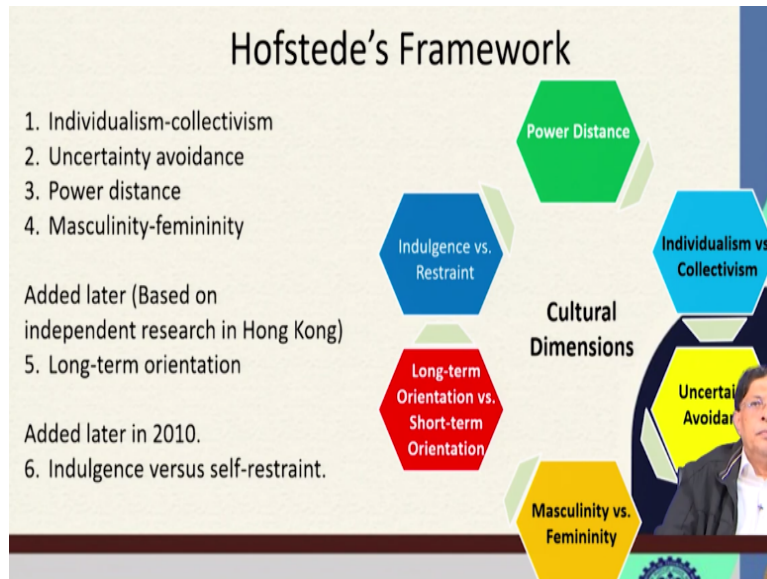
And here it is the last line I would suggest that you emphasize on the last line. Understand between people and between group of people, so that is very important and I encourage you to go through that documentary film interview, the reference which I have given in the previous slide.

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See Hofstede's widely cited book is recommended for detailed reading on his work. So, this is the book and I would recommend you to read this book, which will give you much in-depth knowledge about his 6 cultural dimensions. So, I will give you an heads up on his 6 cultural dimensions and each one of that I will take into details so that you understand how practical it is for you to use it when you go for international business negotiation, international business expansion, market study, how crucial this information for marketing.

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So, he came up with the total 6 cultural dimensions. So, initially he came up the first one is the individualism versus collectivism. The second one is uncertainty avoidance. Third one is a power distance. The fourth one is masculinity and femininity. Then he later adopted based on his independent research in Hong Kong long-term orientation and later he added indulgence versus self-restraint. So, all these cultural dimensions one by one I will explain to you.

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Power Distance

A national culture attribute that describes the extent to which a society accepts that power in institutions and organizations is distributed unequally. (Robbins, S. P., & Judge, T. A. 2017, p.194)

Inequality in Society can prevail in terms of:

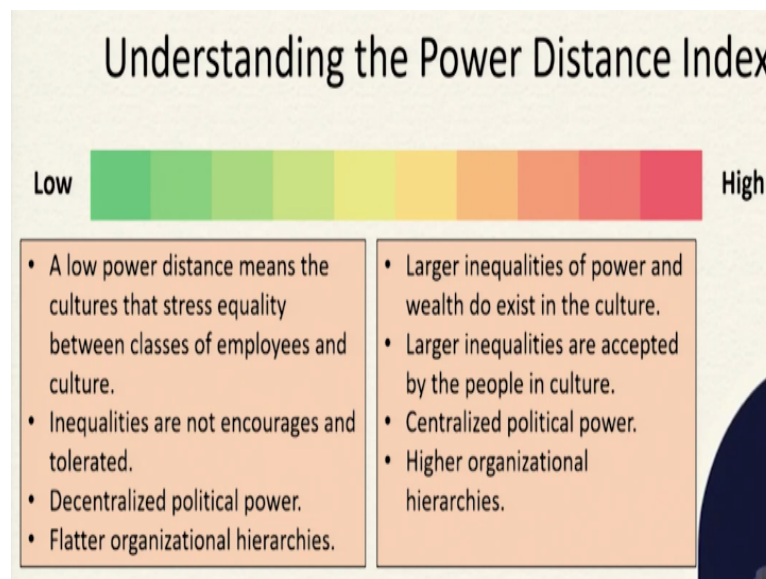
- Wealth;
- Power;
- Physical and mental characteristics;
- Laws, rights, and rules.

Source: Hofstede, G. (2001). *Culture's consequences: Comparing values, behaviors, institutions and organizations across nations*, p.101. Sage publications.

So, what is power distance? So, you can make out from the definition that a national culture attribute that describes the extent to which a society accepts that power in institutions and organization is distributed unequally, which means that inequality in society can prevail in terms of wealth, power, physical and mental characteristics, laws, rights and rules. So, there

will be some amount of inequality in the society because the wealth is not equally distributed, power is not equally distributed, physical and mental characteristics so these are different.

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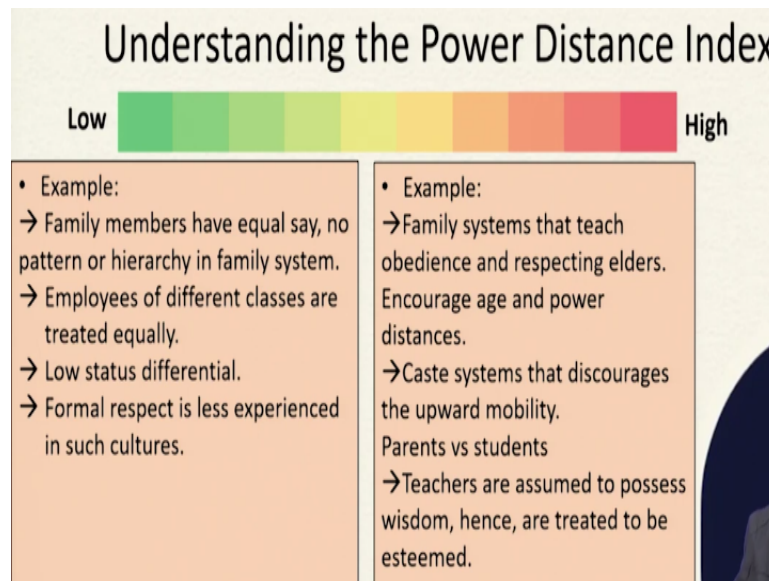
So, understanding the power distance index. So, I have given a frame of low power distance to a high power distance. So, what is typically a low power distance? A low power distance means the countries or the nationals where the cultures that stress equality between the class of employees and the culture. Inequalities are not encouraged and tolerated. So, the countries or the nationals who are very low power distance, they do not allow any inequalities and decentralized political power and flatter organization hierarchy.

So, the countries where these power index, power distance very low, they will have very less the decentralized power, flatter organization hierarchies, not too many hierarchies in the organization compared to the high power distance where larger inequalities of power and wealth do exist in the culture. Lots of people, there will be some amount of this big inequalities in power and wealth in the culture.

Larger inequalities are accepted by the people in the culture, they will accept it that inequality. Centralized political power and higher organizational hierarchies. So, high power distance would indicate a national culture that accepts and encourages bureaucracy and high respect for authority. So, remember, if the country is having very high-power distance, so that country should be very high bureaucratic.

Low power distance; if you are a national culture that encourages a flatter organization structure, greater emphasize on persistent responsibility and delegation of power. So, the countries which are having low power distance in those countries, the people will try to delegate the power to the people, but the countries or the nationals from the countries where the power distances index is very high, a lot of bureaucracy will be there. Power will be centralized with certain people and they will encourage the bureaucracy.

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Examples; I will first example the high power index. Family systems that teach obedience and respecting elders encourage age and power distance. So, this is an example of high power distance where you will respect a senior or your parents or your grandparents or an official with and higher up in the hierarchy you will respect him that is very important there. Caste system that discourages the upward mobility.

Parents versus students, teachers are assumed to possesses wisdom, hence are treated to be esteemed. Low power distance example family members have equal say no pattern of hierarchy in the family system. So, everybody in the family will have a say in that society. Employees of different classes are treated equally. No status differentials and formal respect is less experienced in such culture. So, there is no such formal respect. See the difference between the high power distance between the low power distance

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Top 10: Low Versus High Power Distance

Low power distance	High power distance
1. Use of power is based on legitimacy, nature of purpose (good/bad).	1. Legitimacy of power is irrelevant. Power essentially exists in society.
2. Parents-children equality persists.	2. Children are expected to obey parents.
3. Age is not a base for respect or following an instruction.	3. Elders are respected and followed up.
4. Education is student-centred.	4. Education is teacher-centred.
5. Hierarchy is considered as inequality which is created for convenience of the master.	5. Hierarchy means existential inequality.
6. Superiors consult with subordinates.	6. Superior tell subordinates what is to be done.
7. Corruption is less frequent.	7. Corruption is relatively more frequent.
8. Pluralist governments and vote based elections.	8. Autocratic governments. Governments are changed sporadically with public revolt.
9. Low income inequality.	9. High income inequality.
10. Religion promotes equality of pupils.	10. Religion promotes class and hierarchy.

So, there are top 10 low versus high. So, I will try to explain each one of that. In low power distance use of power is based on legitimacy, nature of purpose good or bad. In high power distance, legitimacy of power is irrelevant. Power essentially exists in society. Parents and children equally persist in low power distance. On the contrary on the high power distance, children are expected to obey the parents.

Age is not a base of respect of following an instruction. Whereas in high power distance elders are respected and followed up. In a low power distance education is student centred. In high power distance education is teacher centred hierarchy considered as inequality which is created for convenience of the master whereas the hierarchy means existential inequality. Superiors consult with subordinates.

It is very important in a country where the low power distance, there the superiors will consult the subordinates. On the contrary, the countries where the high power distance superior will tell subordinates what to be done. So, it is a more of top driven instruction. So, here there is not any sort of a consultation with the subordinates. So, in the low power distance countries, there will be a consultation, a senior or a superior will consult with the subordinates about business strategy.

But here in a high power distance superior will tell the subordinate do this, do that, follow this instruction and they will follow that. Corruption is very less frequent in this. High power distance that is more bureaucratic corruption is relatively more frequent. Pluralist government and vote based election. An autocratic government. Governments are changed sporadically

with public revolt. Low income inequality, but very high income equality in a high power distance.

And religion prompts equality of pupils. Religion promotes class and hierarchy. So, these are the essential differences between a low power distance and a high power distance country. So, the people from high power distance countries will behave in one way and the people or the nationals from a low power distance will behave in another pattern.

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Top 20 Low and High Power Distance Index Countries

Country	PDI Score	Country	PDI Score
Austria	11	Croatia	73
Israel	13	Singapore	74
Denmark	18	Africa We	77
New Zealand	22	India	77
Switzerland Ge	26	Ecuador	78
Ireland	28	Indonesia	78
Norway	31	Arab coun	80
Sweden	31	Banglades	80
Finland	33	China	80
Switzerland	34	Mexico	81
Costa Rica	35	Venezuel	81
Germany	35	Suriname	85
Great Britain	35	Serbia	86
Australia	38	Romania	90
Netherlands	38	Russia	93
Canada	39	Philippine	94
Estonia	40	Guatemal	95
Luxembourg	40	Panama	95
U.S.A.	40	Malaysia	104
Lithuania	42	Slovak Re	104

Source: <https://data.world/adamhelsinger/jeerthofstedeculturaldimension/workspace/intro> (accessed on: 14 November, 2021)

Here, I have given an example of a country where you see the power distance is very high. See the distance like Malaysia I have given it seems very high, you see our India is 77 the power distances index is very high. You can make it out that the people in India we respect our parents, we respect our teachers, we respect our superiors and the decisions of more bureaucratic and then decisions are top driven.

So, we can see from here. If you are going to a country like Malaysia or a country like Russia or Bangladesh, you will equally see the power distance is very high. So, if you are going for the business things, I will come to that, so how you handle this business negotiation when you are going to a high power distance country. See a lower power distance countries Austria, Israel, Denmark, New Zealand; these are very low power distance index countries.

So, here the people are much more, the organizations are much more flat and then everybody, the superior consults with the subordinates to take a policy decision or take strategical study decision. So, it is a more of a consultation and there in the family everybody is equal, not like

in India where the parents, elders, superiors they have a certain amount of say in most of the decisions where in the low power distance index countries everybody in the family is important and decision is more of the collective decision.

So, these are the two extremities. So, I have collected these numbers from the data I have shown here the data here, you can **consult** that. So, before you go to a country, say you are planning to go to China and what will be typically the power distance index in China? What will be typically the people the company with whom you negotiate in China for any business or what will be the government structure, now obviously you can see that it is typically at very high.

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Implications of the Power Distance in Sales Negotiations

- High power distance: CEOs directly involve in negotiations.
- Western European Countries and North America: Managers talk informal, dress-up casual, downplay status, call each other by names, handshake,
- Japan: managers dress in conservative manner, no use of first name in formal deals, bow to each other,
- Asia: title and status is of vital importance,
- Muslim countries: left handshake is inappropriate,
- Low power distance managers may feel hijacked by the SOPs (hierarchy and standard operating procedures) in a high power distance culture.

So, implications of this power distance in sales negotiation, so you and me we have to use this for our business negotiations. How you use it in our business negotiation? So, high power distance; CEOs are directly involved in negotiations. So, if it is a very high power distance, if you are going for the negotiation, your CEO or your vice president will be part of that negotiation if it is a very high value negotiation.

Western European countries and North America: Managers talk informal, dress up casual, downplay status, call each other by names and handshake. So, that is typically the countries Western countries where the power distance is low. Japan: Managers dress in conservative manner, no use of first name in formal deals, bow to each other, you know in the Japanese culture they bow to each other. Asia: Title versus status of vital importance.

When you go in Asia, the title and the status is very important in most of the Asian countries. Muslim countries: Left handshake is inappropriate. Low power distance managers may feel hijacked by the SOPs that is hierarchy and standard operating procedures in a high power distance culture. So, you know the companies who operate in high power distance culture countries, they have a different standard operating principle or procedures.

And the managers who are coming from a low power distance countries or the nationals will really have a tough time to handle this because the standard operating procedures are based on a high power distance that means approval matrix you know it has to go to the top person in the organization or to the vice president for decisions. So, there is more of a bureaucratic decision. So, the implications are very crucial why? The sales negotiations, now what typically happens in the sales negotiation?

There is a discounting authority discounting matrix who can give discount at what level and all those. In high power distance typically the maximum power is centralized with the CEO or the vice presidents or the marketing head or the finance head in the company. Whereas, the low power distance they give the authority to the subordinates or to the international managers to go and negotiate and give the authority to them to negotiate and take a decision which will be good for the company.

So, in the sales negotiation, which is most crucial for you when you go for any interaction market, the sales negotiations, the discount, some extension of warranties or some delivery period or there are so many different terms your customer might ask and so many different types of payment terms a customer requesting from you or asking from you, so the authority you are coming from a high power distance country.

If you are a national working for a company which is from that high power distance country, in the negotiation you have to mostly depend on the authority or the CEO or the VP or the head of the marketing level. You will not have that much of authority to take in a spot decision. But if you are coming to a country where this low power distance, you will have lot of authority to take a spot decision and be careful that how you name the person.

In US, you can name somebody like hi Dave, how are you doing, but the same in in Asia, the title and the status is very important. So, you should give that, you should respect the person

based on his title and call him like Mr or Mrs or Miss according to the name so that should be the way to approach.

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Individualism vs Collectivism

- Individualism: "A national culture attribute that describes the degree to which people prefer to act as individuals rather than as members of groups." –(Robbins, S. P., & Judge, T. A. 2017, p.194)
- Collectivism: "A national culture attribute that describes a tight social framework in which people expect others in groups of which they are a part to look after them and protect them." –(Robbins, S. P., & Judge, T. A. 2017, p.194)

Then the next one is individualism versus collectivism. So, what is individualism? So, I am giving a typical definition here. A national culture attribute that describes the degree to which people prefer to act as individuals rather than the member of groups. And collectivism a national culture attribute that describes a tight social framework in which people expect others in the groups of which they are a part to look after them and protect them. So, let us go into a little bit of more details.

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Understanding the Individualism vs Collectivism

Low High

<ul style="list-style-type: none">• Collective interest,• Interests of groups are important over the individuals,• Collective socio-political interests are important,• Control over press,• Promotes equality within the groups.	<ul style="list-style-type: none">• Value for personal time,• Value for personal freedom,• Extrinsic motivators are encouraged,• Right to privacy is important,• Individual socio-economic interest is important,• Freedom of speech,• Self-government,• Political power of individual lies in votes,• Freedom of press is important.
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As I said, this individualism also one country very low in some countries very high. So, what is typically the characteristics of this individualism versus collectivism? If the country's

individualism versus collectivism, if individualism is very, individualism means I is very high, and collectivism means we. So, I very high, that means value for personal time, my time is very high. Value for personal freedom is very important.

Extrinsic motivators are encouraged. Right to privacy is important. Individual socio-economic interest is important. Freedom of speech is important. Self-government. Political power of individual lies in votes. Freedom of press is important. So, see the countries which have individualism is very high, typically the characteristics of the people are like this. The nationals of the countries where individualism is low and more of a collectivism, they work on a collective interest.

Interest of groups are important over the individuals. Collective socio-political interest are important. Control over the press promotes equality within the groups. So, individual societies where individual performances are valued. So, the performance of an individual, a manager will be always rewarded in a company in a country where the country follows the individualism index is very high. So, an individual's performance will be always valued.

Whereas in a collectivism's society, the teamwork or the value of the performance of the team will be very important. So, to summarize this whole thing is an individual basis an excellent and good work has been done for a company if that company is following, the nationals of the company follow are very high on individualism, they will reward an individual for the performance of that,

But whereas if the company belongs to the nationals or follows the nationalities are basically working on a very low individualism or very high collectivism, they will reward the entire group of people who has worked, maybe boss and the subordinates, entire groups worked for the sales order. So, then the entire group will get a bonus instead of an individual in an individualistic society that is the big difference.

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Top 10: Collectivist versus Individualist

High Individualist	High Collectivist
1. Self care.	1. Family protects members in return for loyalty.
2. "I" –consciousness	2. "We" –consciousness
3. Right of privacy	3. Belongingness
4. What one feels is what he/she speaks.	4. Speak what prevails the harmony.
5. Everyone is identified as an individual.	5. Others are identified as in- or out-group.
6. Personal opinion matters.	6. Group based opinions and voting.
7. Inability to follow norms lead to guilt.	7. Norms transgression leads to shame.
8. Language involves use of "I".	8. Language avoids use of "I".
9. Purpose of education: "how to learn"	9. "How to do"
10. Task orientation.	10. Relationship orientation.

So, high individualistic and high collectivist, so high individualistic is high self care. That means, I will first jot down high individualistic characteristics, self care, care about me. I consciousness, everything is I, me. Right or privacy. What one feels if what he or she speaks. Everyone is identified as an individual. Personal opinion matters. Inability to follow norms leads to guilt. Language involves use of I.

Purpose of education, how to learn and task orientation. So, exactly here it comes the high individualistic way how it is done. The countries which have a high collectivist family protects members in return of loyalty. We conscious, we, typically here come as we, there is no I here. You see that the high individuals where I consciousness was there, in a high collectivist country or nationals, they call it we and belongingness is there.

Speak what prevails the harmony. Others are identified in or out group. Group based opinions and voting. Norms transgression leads to shame. Language avoids use of I. How to do and relationship orientation. So, these are the typical characteristics of a highly collectivist versus highly individualistic, okay. That is all for this session right now. Thank you.