The relevance and application of Hofstede’s work for researchers and practitioners in today’s global environment

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In today’s global economy, Multinational Corporations (MNCs) are consistently looking for ways to expand their operations to new regions and countries. As a result, there is an increased pressure on management to understand the values, behavioral structures and differences in national cultures (Walumbwa, Lawler & Avolio, 2007). In every cross-border alliance there is the potential of a cultural conflict and misunderstanding and as a result, issues relating to national culture and its effects on business processes and outcomes, have gained popularity in recent years (Newbury & Yakova, 2006). Research into international business has as a result increased dramatically in the past 40 years and is predicted to continue on the same path merging with related fields of research, searching for clues and directions to greater prosperity (Latifi, 2006).

Hofstede’s Framework on National Cultures

Hofstede’s framework on national culture has received great attention from business scholars in recent years (Sivakumar & Nakata, 2001). Hofstede conducted two independent surveys within multinational subsidiaries of the international company IBM. The company at that time operated in 40 countries and 66 worldwide locations. The survey was administered twice, once in 1968 and again in 1972, generating a total of over 88,000 usable responses. Hofstede later expanded the database with additional 10 countries and three regions (Hofstede, 2001). In the original framework, Hofstede introduced four dimensions: power distance, uncertainty avoidance, individualism – collectivism, and masculinity – femininity (Hofstede, 2001). Hofstede and Bond (1988) later added the fifth dimension to the framework called Confucian dynamism and was later renamed by Hofstede as long term orientation.

Power Distance

Power distance is essentially used to categorize levels of inequality in organizations which Hofstede claims will depend upon management style, willingness of subordinates to disagree with superiors, and the educational level and statuses accruing to particular roles. Power distance serves as an indicator of relational inequality and can be used to examine distributive justice at the national level (Hofstede, 2001). Several researchers have combined this dimension with such as individualism – collectivism when studying employee empowerment, cross-cultural leadership styles and management practices (Javidan, House, Dorfman, Hanges & de Luque, 2006). Countries which display a high-level of power distance include France, Spain, Hong Kong and Iran and countries with low scores are Britain, Germany and the United States (U.S.; Hofstede, 2001). Er rétt að setja þetta í sama svigann?? Hér er vísað til þess að hér efir muni ég nota US í staðin fyrir að skrifá United States í hvert sinn, og svo er vísað til heimildar.
Uncertainty Avoidance

This dimension has been defined by Hofstede (2001) as the degree to which people prefer to experience structured over unstructured situations. It declares how clear the rules for behavior are for any given situation. The rules may be expressed or they may be unwritten and simply a matter of custom or tradition. Hofstede (2001) argues that societies with strong uncertainty avoidance have a scheme for situations and feel that what is different is dangerous, while countries with low uncertainty avoidance don’t feel that what is different poses any threat. High uncertainty avoidance is said to be characteristic in France, Spain, Germany and many of the Latin American countries. Societies that showed low to medium uncertainty avoidance according to Hofstede (2001) are the Netherlands, the Scandinavian countries and Ireland.

Individualism - Collectivism

Individualism and collectivism in Hofstede’s model serve as bipolar variables. They describe the relatively individualistic or collectivist ethic evident in a particular society. Hofstede (1994) argues that in collectivist societies, children grow up learning to identify themselves as members of a group (initially a family) and they learn quickly to distinguish between in-group members and out-group members. As they grow, they remain loyal to their group. In individualistic societies, however, children learn to think of themselves as “I” instead of “we” and learn that they will someday have to make it in a society on their own merits. According to Hofstede (2001) the U.S., France and Spain display high score on individualism and countries like Portugal, Hong Kong, India, and Greece are considered collectivist countries.

Masculinity - Femininity

Masculinity - femininity are like the individualism - collectivism dimension in Hofstede’s (2001) model, or the opposite ends. Values such as assertiveness, performance, success and competition are measured to see to what degree they dominate over the more feminine or masculine values. Countries that score high on masculinity could be expected to have leaders who are performance, success and competitive driven. On the other hand, countries which score lower on masculinity (and are considered more feminine), could be expected to have leaders that emphasize the need for personal relationships, quality of life, and caring for the elderly and show concern with the environment. According to Hofstede (2001), high masculinity societies include the U.S., Italy, Germany and Japan while more feminine societies included the Netherlands and the Scandinavian countries.

Long Term Orientation

This is a very interesting dimension because it was not initially identified by Hofstede from the IBM data, rather it was developed from values suggested by Chinese scholars in 1985 using the Chinese Value Survey (Bond, 1988). Javidan et al. (2006) argue that the fact that Hofstede did not recognize this dimension is explained as limitations of his own thinking and a sample of how his Western thinking dominated the design of the questionnaire in his original international research. This dimension is concerned with the Confucian ideal and refers to values such as persistence and thrift, past and present orientation, respect for tradition and fulfilling social obligations (Bond & Chi, 1997). Nations that have been found to score high on long term orientation are China and Hong Kong and countries that have scored low on this dimension are Pakistan and Nigeria (Bond et al., 2004).
Building on Hofstede’s Framework

Although Hofstede (2001) specified that the original instrument could not be used to test individual-level relationship and should be used only at the national level, Dorfman and Howell (1988) developed scales, based on Hofstede’s original dimensions that were applicable to the individual level or micro unit of analysis. These scales contain items measuring each of the four dimensions plus one additional conduct, paternalism, which represent the extent to which it is appropriate for managers to take personal interest in the private lives of the worker. The scales have been found reliable by various other researchers (Kirkman, Lowe & Gibson, 2006).

Additional scholars who followed similar research paths based on Hofstede’s original study include Hofstede and Bond (1988) as well as Samiee and Atanassiou (1988). Building on their research findings, evidence exists that national cultures do indeed differ across many areas in relation to leadership style (Casimir & Keats, 1996; Dorfman & Howell, 1988), decision making (Ali, 1993; Shapiro, Kirkaman & Courtney, 2007) and human resource management (Cable & Judge, 1994; Earley, 1986).

Numerous cultural studies of both poor and rich nations have focused on a variety of national statistics, including employment rates, population growth and political stability (Harrison & Huntington, 2000). Franke, Hofstede and Bond (1991) however took a different approach and examined the economic growth, or the gross domestic product (GDP) of 20 nations over the periods 1965-1980 and 1980-1987. The economic growth was then compared to four cultural dimensions obtained by Hofstede in his original study in 1980, and four derived by Bond (1988), to determine if a relationship exists between cultural values and a nation’s economic performance. Franke et al. (1991) found that two cultural dimension individualism and long term orientation were shown to be directly related to economic growth. As a result of these findings, growing number of scholars, journalists, politicians, and development practitioners are focusing on the role for cultural values and attitudes as facilitators of, or obstacles to, economic progress (Harrison & Huntington, 2000).

The most recent expansion on Hofstede’s work is a large empirical study referred to as GLOBE. The name GLOBE refers to the Global Leadership and Organizational Behavior Effectiveness Research Project. The study involved 127 researchers in 62 countries around the world and was designed to replace and expand on Hofstede’s original framework. The goal of the research was to develop an empirically based theory to describe, understand and predict the impact of cultural variables on leadership and organizational processes. Survey questionnaires were developed and collected from more than 17,000 middle managers in 951 organizations across 3 specific industries (House, Hanges, Javidan, Dorfman & Gupta, 2004).

While Hofstede’s framework has a set of five dimensions, the GLOBE study introduced nine dimensions and eighteen culture scores. These dimensions are: performance and future orientation, gender egalitarianism, assertiveness, institutional and in-group collectivism, power distance, humane orientation and uncertainty avoidance. The culture scores are measured on two levels for both practices and value, therefore making the culture scores eighteen.

The GLOBE study has received less criticism than Hofstede’s original framework (Smith, 2006). Earley (2006) argues that one reason could be that there are fewer controversial issues relating to methodology used or perhaps the GLOBE study is still in its infancy and therefore researchers haven’t yet fully analyzed it. However, Hofstede (2006) himself has not been holding back on his criticism and has argued that the GLOBE study is U.S. centric, that it fails to capture what is intended through the questionnaire and that the study’s total of 18 dimensions are unnecessary and lack
parsimony. Hofstede (2006) argues further that after having conducted a study on national culture as well as having done a large cross-organizational culture study on organization cultures, that the two distinct cultures cannot be measured in one as done in the GLOBE study. The difference between Hofstede’s organizational culture and social culture, and GLOBE’s single approach to organizational and national culture, is therefore a basic and unbridgeable difference that needs to be taken into account when future researches choose to build upon either study.

Criticisms on Hofstede’s Framework

Hofstede's work in creating a five-dimension value system and drawing a world cultural map is one of the most comprehensive and cited researches (McSweeney, 2002). However, Hofstede's work has been criticized by many scholars in relation to applications, generalization, ecological fallacy and being descriptive rather than predictive.

The objective of Hofstede's research was to conduct a comparative study and he chose the employees of the international organizations IBM as his research's population. Javidan et al. (2006) argue that Hofstede's choice of organization was based on the fact that he was at the time an employee of IBM and that the survey was more of a consulting project conducted for the international organization, therefore having other interest at heart when conducted.

Other researchers such as Fischer, Ferreira, Assmar, Redford and Harb (2005) have, however argued that using an international organization like IBM strengthens his work as a comparative study which needs matched and comparable samples. This strength on the other hand becomes a weakness if the results are used for interpretation of a nation’s culture or values alone. It has been argued by researchers that work related values obtained from a Western-minded organization, for example in Iran, can neither be generalized to the whole nation nor organizations (Bond, 1988; Latifi, 2006). Latifi (2006) argues that the IBM employees studied in Iran at the time, were typically middle class, highly skilled, educated, white collar employees. It is therefore questionable how much work related values of IBM employees, working in an Iranian subsidiary of an international organization can represent the people of a country like Iran as a whole.

Researchers such as Smith, Dungan and Trompenaars (1996) as well as House et al. (2006) have all been concerned about the limited number of dimensions identified by Hofstede. The fifth dimension discovered by Bond (1988) added further strength to this criticism. Since the instrument used in the survey was Western oriented, the comprehensiveness of the values under investigation is questionable. Some critics argued whether the dimensions developed from data collected between 1968 and 1973 were artifacts of the period of analysis (Baumgertel & Hill, 1982; Lowe, 1981).

It is argued by Javidan et al. (2006) that Hofstede’s map is rather a descriptive document of a time period rather than a dynamic map of national cultures and they argue that since the 1970’s when the IBM data were collected a great deal of social change has occurred in many parts of the world. There have been technological advances such as the internet with easy communication, easier travel modes that allow people to travel extensively without as much cost and all this adds up to a very different cultural map than was in the 1970’s.

Bond and Chi (1997) argue that Hofstede's framework using five dimensions relates to the classification of groups of people who are made of different individuals and often labeled into categories such as Arabs, Asian and European. Kanter (1991) argues that no one today is purely one thing or the other. For example in Hofstede's (2001) study, the U.S. score number one on the individualistic scale. However, that
does not mean that any particular American or any small samples of Americans are necessarily individualistic. Therefore, Smith, (2002) argues that if one uses Hofstede's scores to provide a cultural pen-picture of American people, there is the danger of this fallacy with its assumption that the people are all identical.

Application of Hofstede’s Work

We are often told that the world is getting smaller, television, telecommunication and transportation have been argued to make us a “global village” where we will pick up each other's values and adjust our opinions into similar paths (Harrison & Huntington, 2000).

A major example of the international context may be seen in the European Union (EU). The emergence of an increasingly integrated 'single market' with non tariff trading is resulting in the free flow of capital, goods, services and labor. There also exists a mutual recognition of academic and qualifications that enables employees to have their national education valued in any other country within the EU (Brewster, Mayrhofer & Morley, 2000). With the emerging markets, number of scholars argued that cultural differences would fade when borders opened up for free movement of people (Boxall, 1992; Standing, 1997). However, contrary to what was predicted, cultural integrity has remained and seems to have grown even stronger. People from England still refer to themselves as English, and Danish people refer to themselves as Danish instead of European (Brewster et al., 2000). Countries like Switzerland and Norway have not shown interest in joining the European Union based on their desire to remain independent and in control of its own destiny (Tyson, Witcher & Doherty, 1994). While the EU is struggling with diversity on the micro level, Standing (1997) argues that management practices also still differ considerably and have not merged as predicted causing increased problems for organizations.

Organizations did for some time believe that a good manager in England would also be a good manager in other countries and that good effective English management practices would be effective anywhere (Hofstede & McCrae, 2004). However, Hofstede’s (2001) framework has on the other hand demonstrated that national culture implies that one way of acting is preferable to another. When management practices are found to be inconsistent with these deeply held values, employees are more likely to feel dissatisfied, uncomfortable, and uncommitted. As a result, they may be less willing or able to perform their work well (Newman & Nollen, 1996). Management practices that have been found to reinforce national cultural values are more likely to encourage predictable behavior (Wright & Mischel, 1987), self-efficacy and high performance (Earley, 1994).

As can be seen with the EU, these demographic changes provide opportunities as well as challenges for organizations. Diversity and multiculturalism both play many important roles in organizations today. Whether operating in Europe, Asia or the U.S., managers need to be able to analyze the potential for cultural clashes as well as being aware of how culture can be harnessed to drive business forward. This is, however, easier said than done and Hofstede (2001) was keen to emphasize that the dimensions were not a prescription or formula but merely a concept of framework. Although his work has been criticized, it does equip managers with an analytical tool to help us understand intercultural differences and why different management approach is needed in different nations. The model is simple, it is logical and it is a starting point both for individuals, researchers and organizations to understand that there is a difference between nations that needs to be recognized.
Advancing the Framework

Since Hofstede’s ground breaking study the variable individualism - collectivism has undergone a series of elaborations at the individual and national level. In the original framework, Hofstede (2001) defined individualism and collectivism as bipolar opposites. The individualistic pole of the dimension was associated with preferences for sufficient time for personal or family life, considerable freedom on the job, and having challenging work. By contrast, the collectivist pole of the dimension was associated with preferences for training opportunities, having good physical work conditions and being able to use skills on the job (Realo, Koido, Ceulemans & Allik, 2002).

Schimmack, Oishi & Sanna ðer tel rétt að nota „and“ þegar vitnað er í höfunda í textanum en „&“ í sviga Diener (2005) argued that Hofstede’s bipolar approach give a rather confusing results when countries are located between the extremes. Brazil for example, ranks number 26 out of the 53 countries studied in the individualism - collectivism index (Hofstede, 2001). This makes it difficult for someone not familiar with Brazilian culture to judge if Brazilian society is a mixture of the opposing types, collectivist and individualist, or if the nation equally possesses both characteristics. Although argued to be confusing, more critical questions have been raised regarding the reliability and validity of Hofstede’s decision to use these variables as bipolar (Erez & Earley, 1987). Triandis and Gelfand (1998) argue that treating individualism and collectivism as one bipolar variable is questionable because there are as many varieties of collectivism as there are collectivist cultures and that individualism and collectivism have various sub-forms that manifest themselves predominantly in one particular area of social relation or in relation with a specific target group.

Bond and Smith (1996) were interested in examining this relationship further and conducted a meta-analysis of cultural differences based on Hofstede’s cultural dimensions and found that the scores for individualism - collectivism were not negatively correlated with conformity as suggested by Hofstede (2001). A similar study by Oysterman, Coon and Kemmelmeier (2002) also failed to produce convergent results and the authors argued that individualism and collectivism at national levels should therefore be treated as independent and separate variables. The finding of Oyserman et al. (2002) and Bond and Smith (1996) are therefore both inconsistent with Hofstede’s traditional conceptualization of individualism and collectivism as opposite ends of a single continuum.

It is possible that Hofstede’s scores are outdated and the more recent score are reporting a more current situation or a trend in individualism and collectivism. Hofstede’s original scores were based on data that were collected in 1968 and 1972 whereas Bond and Smith (1996) and Oyserman et al. (2002) meta analysis were based on studies from the 1990s. However, Hofstede (2001) has argued that the rank ordering of nation on individualism has remained quite stable and if one argues his statement to be true then one has to recognize that the original methodology of splitting individualism and collectivism to bipolar variable was not appropriate under the new circumstances.

It has been argued by many scholars that there is no absolute answer to the number of important cultural dimensions (House et al., 2004). Rather, as argued by statisticians and methodologist, such number is determined only by the strength of correlations of dimensions and by the level of analysis (Fowler, 2002; Swanson & Holton, 2005). With the evidence of the more recent empirical studies, it is therefore recommended that the bipolar variable individualism – collectivism will no longer be viewed as the opposite ends of one quantum, but rather divided into two separated dimensions making the total dimensions of Hofstede’s model six instead of five.
Summary

Hofstede’s research was valuable foundation in understanding the cultural dynamics among nations. The work has been criticized for only producing five dimensions but as well has the work been complimented on its simplicity and easily understandable dimensions. Because of globalization and emerging markets, Hofstede’s framework is still very much relevant today and an important foundation for management to understand cultural differences, opportunities and refrain from cultural inconveniences.

It is clear that Hofstede’s framework is currently facing fierce competition from the more recent GLOBE study. For those who agree with Hofstede, on using separate framework for studying national and organizational cultures, Hofstede’s framework will continue to be used as a base for further research. However, the model needs to be developed as more research in relation to Hofstede’s variables enters into the field. It has therefore been argued that splitting the dimension individualism - collectivism into two, will allow Hofstede’s framework to increase its validity and reliability.
References


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