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American versus “European” Values?—Cultural Variation and Its Effects on Business Life

Cross-cultural studies show that national culture is still the main factor determining human behavior in all aspects of social life, including the business sphere. It is symptomatic that this conclusion is reached by specialists of various disciplines, although their backgrounds and assumptions often vary widely. Sociologists, political scientists, social psychologists, economists and specialists in management agree that national cultural patterns underlie the majority of social processes. In short, the business world is by no means free from cultural preferences and biases.

The research results presented in recent fundamental works in the field of cultural comparative studies—such as *Culture’s Consequences* by Geert Hofstede (2001) or Ronald Inglehart’s *Modernization and Postmodernization* (1997), to mention just these two—indicate clearly that national cultures all over the world are keeping their distinct character, and that this fact strongly conditions business behavior. Contrary to the common perception of progressing uniformity, cultural differences between countries are still very deep, and the persistence of specific cultural patterns is not fading away. That does not imply, of course, that nations are monolithic, but rather that differences within them are much less significant than the differences between countries. The research results of Hofstede, Inglehart and others point out that factors such as religion, age, gender or occupation differentiate people to a far lesser extent than does belonging to a specific national culture. This means that, for instance, an American Catholic is first an American and only then a Catholic, and that he or she will have much more in common with an American of a different denomination, than with, let us say, a Polish Catholic.

Researchers claim that the supposed trend of global unification is being strongly exaggerated. Actually, there are no indicators that cross-national differences will be disappearing with time. The impression of progressing globalization and unification holds true only for the layer of cultural artifacts, which are becoming similar as a result of growing wealth. This, however leads to stronger
individualization of behaviors and attitudes, rather than to their homogenization. The first derivative of this process is something that can be called a global consumer reaction. People dress in a similar way, eat at McDonald’s, watch MTV or CNN. These are superficial similarities, which do not allow us to draw the conclusion that people think in the same way, that they perceive and interpret the world in the same way, or that they hold and are guided by the same values. At the second phase of this process, after the achievement of a certain consumption level, consumers' behavior patterns begin to diverge under stronger influence of specific cultural factors—ones that are not so distinctly related to economic development.

Still, the prevailing impression is that we live in a unified world. This way of thinking can be especially misleading in the case of the so-called “western” world. While, in the opinion of the general public, the obviousness of certain differences between other countries in the world seems to be unquestioned, the considerable homogeneity level of western culture—meaning western European and North American—is often taken for granted. The term “western” itself causes a lot of confusion. Countries like Portugal, Sweden, or the USA are thereby put into a single category. The Christian world is “western,” and so is the civilization identified either with Christianity or with the western part of European continent. These connotations serve as strong support for the idea of western uniformity. Paradoxically, in the past, when the communist bloc still existed, this idea of uniformity was also enthusiastically promoted by communist leaders. Its purpose was to build in people’s minds a stereotype of a clear division between communism and capitalism: “good us” and “bad them.” Since the West was “them,” capitalism could be easily interpreted as a matter of choice rather than a set of choices. Needless to say, this way of thinking had also its equivalent on the other side of the Iron curtain; a common enemy created a sense of togetherness and similarity. The consequences of this indoctrination (partly unintended and unconscious) continue to exert enormous influence on economic activities, and on the way business is approached. Free market economy was supposed to be a universalistic answer to all business-related questions. The unexamined assumption that a monolithic West exists made it possible to ignore any actual differences among countries. Today, after years of searching for universal formulas of economic success, and universal management theories and methods, voices demanding relativistic approach can be heard both from theorists and practitioners of business.

Michel Albert (1994) introduced the concepts of Alpine, Rhenish and Anglo-Saxon capitalism, all of them “practiced” in western Europe. Hofstede (1991, 2001) proved that on the scales of some cultural dimensions, differences between western countries are as significant as the largest differences in the world. Inglehart (1997) divided the western world into several cultural clusters, which are very distinct in several respects. Yet, although the myth of uniformity has collapsed, the habit of thinking about a “western” way of doing business still causes a lot of misunderstandings. The preference that is given to North American management theories and methods is invariably based on the assumption of western uniformity, and ignores the fact of strong cultural diversity within the group of countries labeled “western.” Certainly, the economic leadership of the United States has created a demand for American patterns of doing business, but it is obvious today that universal prescriptions for economic success simply do not exist. No matter how strongly we insist that economics is a value-free discipline, it does get stuck in a web of cultural dependencies when it comes to business practices.

According to the latest results of World Value Survey coordinated by Inglehart and conducted in more than sixty countries all over the world, as much as 85% of the variation between countries can be explained by cultural plus economic factors. Inglehart defined “key cultural dimensions” and built a two-dimensional model of the world (81-98). On one scale, cultural factors are placed ranging from traditional to secular/rational authority. Upward movement along this scale is referred to as “modernization.” On the other scale, economic factors (measured by the level of income) are placed ranging from survival to self-expression/well being. A shift on this scale is called “postmodernization” and indicates that material goals are being substituted by expressive (self-actualization) goals. The combination of these two elements determines the position of a specific country on the map. Generally, all European countries and all English-speaking countries are located in the upper and upper-right section of the diagram (high on both the secular/rational authority axis and the survival to self-expression axis), but the locations of specific countries clearly show a set of clusters.

The differences between clusters are significant. Closest to the upper-right corner are countries from continental Protestant Europe; Catholic Europe is closer to the center (a border between traditional and secular/rational authority; a border between survival and self-expression). Countries of the former communist bloc are located in the upper-left section (secular/rational authority; survival); finally, English-speaking countries are located in the middle of the right section (border between traditional and secular/rational authority; high on self-expression scale). One interesting exception is the United States: on the cultural axis the USA emerges as much more religious and traditional than other English-speaking countries. This clearly religion-related division can be misleading; Inglehart stresses that the position of a given country within a specific cluster is very much country specific. Interestingly, although changes are taking place, the dynamics of

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Yehuda Baruch (2001) shows that the publication acceptance rate of articles by non-North American scholars in top management journals compared with that of North American scholars indicates strong under-representation of non-North American authors.
change does not modify the mutual relation between clusters and the relations between countries within clusters. The reason why the differences stay intact is that in most cases change is occurring in a parallel mode: the general trend is upward movement on the self-expression scale, and movement from traditional authority values to rational/secular values on the culture scale. Thus, on the diagram the location of countries moves along the upright diagonal. The only country that does not follow the general trend of upward movement on the diagram is the United States. It is a worldwide anomaly: a culture that scores very high on income and self-expression, yet sticks to traditional and religious values.

Inglehart’s results are strongly correlated with Hofstede’s findings. In order to obtain a more detailed picture of cultural differences in business within western culture, I will rely on four dimensions of Hofstede’s model. An analysis of Hofstede’s scores will show how similar or how different the locations of the US and western European countries are on the scales of individualism, power distance, uncertainty avoidance, and masculinity.

### Individualism vs. collectivism

This dimension is strongly related to wealth and therefore it is the most dynamic of the four. Contrary to common opinion, differences relating to the dimension of individualism within the bloc of western countries can be very significant. It is worthy of notice that individualism vs. collectivism can be treated as a counterpart of Inglehart’s dimension of survival vs. self expression. The two common components here are the source of self-identity and income. Generally, the level of individualism for European countries varies from moderate to high, but there are two exceptional cases: Portugal and Greece, where collectivist values clearly dominate. Not surprisingly, it is Americans who hold the top position in individualism among all other countries. The variations in the level of individualism have fundamental impact on various aspects of business activities. For example, in individualistic societies the criteria for recruitment procedures are based on individual abilities, while in more collectivist societies they are much more dependent on the affiliation with a specific group. Similarly, the relationship between the employer and the employee can be treated as a contract or be based on close personal ties. Depending on culture, task-assignment can be more effective when directed toward individuals or toward a group of employees. Generally, management will focus either on individuals or on groups. In individualistic cultures, the best performing employees will be those who stand out and challenge others, while collectivist cultures value those whose work benefits other members of the group. The decision-making process will also vary depending on level of individualism: decisions will be taken individually, or will always be consulted with other group members.

### Power distance

Power distance is defined by Hofstede as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (1991, 28). Power distance is another cultural trait that differentiates western countries. If we look at the worldwide distribution of power distance scores on a scale ranging from 0 to 104, indexes assigned to western countries vary from 11 for Austria to 68 for France. However, since all these measures are relative, it is important to notice that, although the index for France is only slightly above the middle of the scale, at the background of 53 countries and regions. France is located at 15th highest position, which makes it a high power distance country. A similar comment applies to Belgium, Greece, Portugal and Spain. This group of countries is followed by the USA, which can be considered as a country of moderate power distance, but still significantly
higher than Scandinavian countries or Holland. Power distance indexes represent social attitudes toward equality issues, so, not surprisingly, they have a significant impact on business practices. Assumptions about inherent power distance trigger or restrain initiative, make employees decisive or vulnerable, determine the perceptions of roles, structures, due privileges and status. In low power distance cultures, the relationship between a superior and a subordinate takes the form of equal partnership. In high power distance cultures it takes the form of unequal dependence with the boss expecting total compliance from the employee, and the employee expecting protection and safety from the boss.

Certain popular management techniques that used to be considered universal will simply not work in high power distance cultures. One useful example is MBO (Management by Objectives), an American packaged management method that requires regular consultation between a superior and a subordinate, as well as a certain level of feedback initiative on the part of the subordinate. An assumed, expected and accepted status gap makes this kind of contacts practically impossible in high power distance cultures.

Uncertainty avoidance

This dimension is defined as the extent to which members of a culture feel threatened by uncertain or unknown situations (Hofstede 1991, 113). The acceptance or avoidance of those uncertain or unknown situations means that everything that is different, new, or unknown is treated either as dangerous or as interesting and challenging. In terms of this dimension, the so called “western” world turns out to be even more diversified. The least uncertainty avoiding cultures are Danish, Swedish, British and American. Cultures that tend to avoid uncertainty are Greek, Portuguese, Belgian, Spanish and French.

Obviously, the attitude toward new, unknown and different things has significant repercussions in the world of business. Members of high uncertainty avoiding cultures prefer well-defined situations and tasks. A lot of attention is paid to detailed instructions and written rules. Deviations from those rules, deviant ideas or behaviors are unwelcome and suppressed. The same applies to innovations that break or stretch the rules. That is why these cultures are generally more diffused, high context, though they vary considerably in the level of diffuseness. Americans are considered to be very specific, low context. European cultures are specific people engage in relations with others only in specific areas of life and only at single levels of personality, while in cultures that are diffused people establish their relations in a more holistic manner, which means that they simultaneously enter all areas of life and all personality levels.

It is useful to recall that Lewin’s concept was originally designed to contrast the American personality type (U-type) with the German personality type (G-type). Americans are considered to be very specific, low context. European cultures are generally more diffused, high context, though they vary considerably in the level of diffuseness. Generally, more diffused cultures are typical of southern Europe, but Germany and France also belong to the category of high context cultures. Misunderstandings and cultural clashes between diffused and specific countries stem, on the one hand, from a very different perception of what is public and what is personal, and, on the other hand, from a different scope of relations: limited only to specific spheres in case of specific cultures, or with simultaneous access to all spheres in case of diffused cultures.

This difference can strongly affect business practices. The perception of many managerial techniques can change dramatically from low to high context cultures. An example can be feedback sessions that are very popular in some cultures, but are perceived as a public admittance of failure in cultures that are diffused.

Their tolerance for deviant and innovative ideas and behaviors makes them better at innovations, but at the same time a relaxed and easy-going attitude toward time, punctuality and precision does not give them much advantage once the ideas have to be implemented. Although the rules and written regulations are often limited to those that are absolutely necessary, they are generally more respected than rules and regulations in high uncertainty avoiding cultures.

When considering uncertainty avoidance, it is useful to take note of another dimension: specificity vs. diffuseness. This cultural trait is sometimes treated as a sub-dimension of individualism or uncertainty avoidance, but such an approach may blur the characteristics of cultures considerably. Definitely, neither identifying individualism with specificity, nor identifying high uncertainty avoidance with diffuseness, can be treated as a valid generalization. Specificity vs. diffuseness is one of five “pattern variables” discussed by Talcott Parsons and Edward Shils (77). This particular variable was designed to describe the differences between those cultures in which relations with others are limited to specific spheres, and those where the nature of relations has no prior limitations. This distinction overlaps at least partly with Edward Hall’s (1976) division of cultures into low and high context and Kurt Lewin’s psychological concept of U-type and G-type personality (Trompenaars, 73-91). Generally, it can be said that in cultures that are specific people engage in relations with others only in specific areas of life and only at single levels of personality, while in cultures that are diffused people establish their relations in a more holistic manner, which means that they simultaneously enter all areas of life and all personality levels.

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Criticism that is intended to be targeted either at a specific project or at a piece of work is taken there as an attempt to impair the employee's status and value. In a diffused culture the statement “This idea is crazy!” sounds like “You are crazy!”. Common-sense advice popular in low context cultures—“Do not mix business and pleasure”; “Get to the point first”; “Don’t take things personally”—may sound offensive in high context cultures. In specific cultures the spheres of life are clearly separated, so that authority from one sphere is not passed on to other spheres. In case of diffused cultures, the situation is opposite: the authority from one sphere is spread all over other spheres.

Masculinity vs. femininity

This cultural trait refers to differences in social roles of men and women. In masculine societies these roles are clearly distinct; men are supposed to be assertive, competitive, tough, with a strong drive for material success. Women are supposed to be tender, caring, modest and concerned with others. In feminine societies, social gender roles are less distinct, more likely to overlap. Both men and women are supposed to be nurturing and focused on the quality of life. Slogans typical for masculine cultures would be “I live to work” and “big and fast is beautiful,” while in case of feminine cultures people are more likely to identify with statements like “I work to live” and “small and slow is beautiful.”

Among the most masculine cultures are Austria, Italy, Switzerland, Ireland, Great Britain, Germany, the United States and Greece. The most feminine are Scandinavian countries and the Netherlands. Moderate masculinity is ascribed to Portugal, Spain and France. In terms of business, it may be generalized that masculine countries in their approach toward human nature are closer to thinking in terms of McGregor’s Theory X, while feminine culture in terms of Theory Y. As a consequence, different approaches to business are practiced. In masculine cultures assertiveness and ego needs dominate. Competitiveness and aggressiveness are praised (incidentally, English is the only language where the word “aggressive” has positive connotations). Failures are taken much more seriously than in feminine cultures because “it is difficult to pretend that you did not try hard enough.” Conflict is perceived as an opportunity rather than threat. Everybody expects to win, so confrontation of power is a frequent way of solving problems: “when the going gets tough, the tough get going.” Overestimation rather than underestimation is considered to be a norm in all aspects of business activities: presenting of results, self-presentation, image creation etc. In feminine cultures modesty dominates, and this leads to intentional underestimation.
Location of six selected European countries and the United States on the scales of four Hofstede's dimensions.

IND - Individualism
LPD - low power distance
LUA - low uncertainty avoidance
MAS - masculinity

COLL - collectivism
HPD - high power distance
HUA - high uncertainty avoidance
FEM - femininity

US (the United States)
GB (Great Britain)
NL (the Netherlands)
FR (France)
GER (Germany)
GRE (Greece)
POR (Portugal)

WORKS CITED