



DUNICOP

Deepening UNiversity Cooperation Osijek-Pécs

ASPECTS OF LOCAL AND REGIONAL DEVELOPMENT

**International Conference of doctorate students, Osijek
4 – 5 October, 2013**

**Understanding cultural
differences: Implications for
regional development &
business**

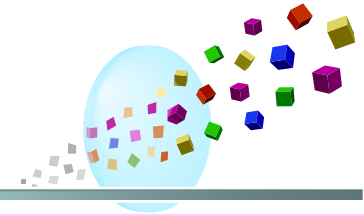
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Project is co-financed by European Union

Objectives



- to know what is meant by the term national culture
- to understand the implications of differences among cultures for regional development and international business
- to identify the key cultural dimensions and to develop a framework for understanding and analyzing the national cultures
- to explore the strategies for cultural difference management

References:

- Hill, C.W.L.: Global Business, Irwin/McGraw-Hill, Boston
- different materials





Let's see how much you know.....



Project is co-financed by European Union

1. In all but one of the following countries it is expected that you bring a gift to a business meeting. In which country is it NOT expected?

- a) China**
- b) Japan**
- c) Czech Republic**
- d) Denmark**
- e) Germany**



2. Suppose that you are in Japan and that your Japanese business partner gives you a small gift. Will you...

- a) open the gift immediately and thank him/her**
- b) thank him/her and open the gift later**
- c) suggest him/her to open the gift for you**

3. Which hand will you use for giving or taking food in and around the Arab world (Middle East)?

- a) a right hand**
- b) a left hand**
- c) either hand**



4. Which of the following is/are associated with death and should not be given as gifts in the Chinese culture?

- a) clocks**
- b) knives**
- c) handkerchiefs**
- d) a green hat**
- e) all of the above**



5. When treating a client to a business meal in China, the most appropriate tipping strategy would be:

- a) 15% tip
- b) the more the better
- c) 20% tip
- d) no tip at all
- e) 50% tip

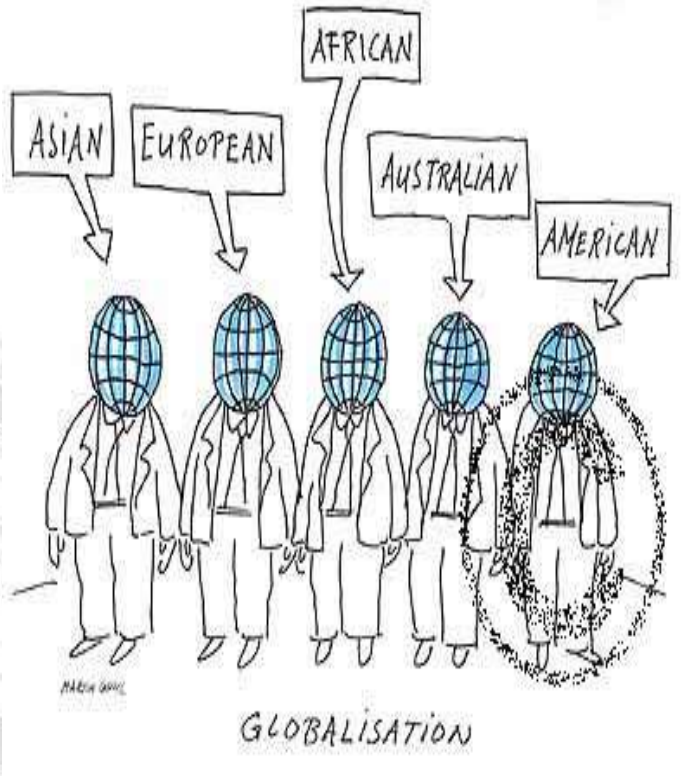


6. When doing business in Iran, a woman should cover their:

- a) mouth
- b) feet
- c) eyes
- d) arms and legs
- e) arms, legs and hair



What is happening with cultural differences?



- **Myth One:** We really are all the same.
- **Myth Two:** I just need to be myself and everything will be okay.
- **Myth Three:** I have to adopt the practices of the other culture to succeed (adapt rather than adopt).

• despite globalization, some cross-cultural differences are significant and remain present

Guiding ideas:

➤ **Cross-cultural literacy is required to successfully conduct business in a variety of countries**

– an understanding of how cultural differences across and within nations can affect the way in which business is practiced

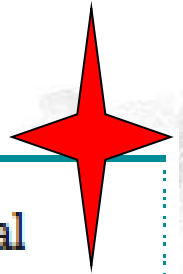
– a relationship may exist between culture and costs of doing business in a country or region

➤ **Across Europe, cultural and creative sectors are considered as essential assets to boost the economic competitiveness and attractiveness**





- **cultural and creative industries are in a strategic position to promote smart, sustainable and inclusive growth in all EU regions and cities, and thus contribute fully to the Europe 2020 Strategy**
- **culture has links with a number of policy-areas**



Innovation	Research and development	Export and internationalisation	Regional development
Social cohesion and wellbeing	Cluster development	Economic diversification	Education and lifelong learning
Tourism development	Branding strategy	Sustainable development	Integration and cultural diversity





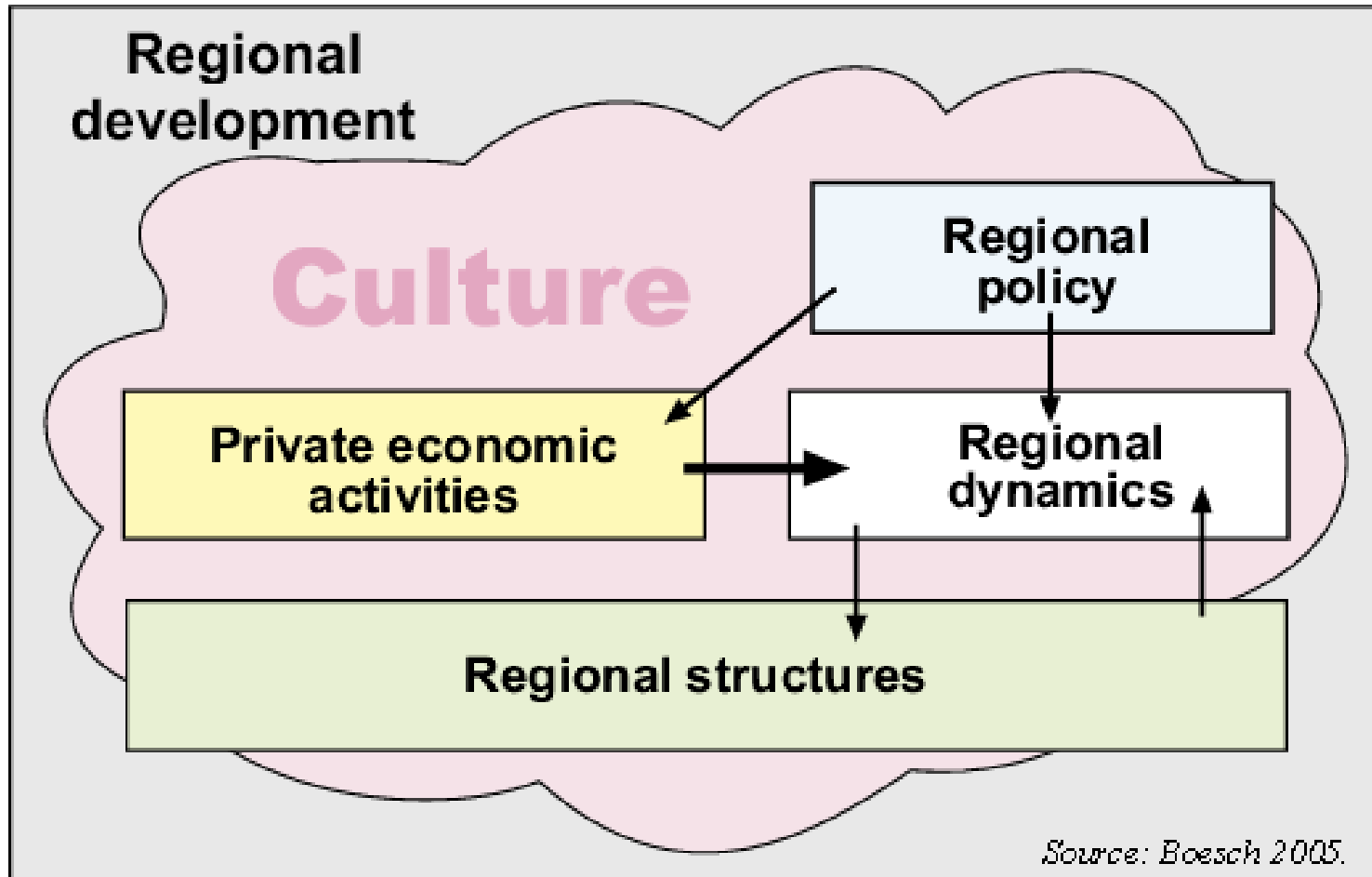
- **there is evidence that culture-based development offers an effective and energizing way of meeting the development aspirations of communities across the whole of Europe**
- **the cultural and creative sector represents a major untapped development potential for many of Europe's towns and regions**
- **one of the factors inhibiting this type of development is the difficulty in bridging the communication gaps between people engaged in cultural activities and those responsible for economic and social development at a local and regional level**

Source: http://ec.europa.eu/culture/eu-funding/culture-in-structural-funds_en.htm



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The influence of cultural factors upon regional development – basic structural set up and relations



CASE STUDY 1

- A production manager who had been sent to Peru from the USA was convinced that he could motivate the workers to higher productivity by instituting a more democratic decision-making style. He brought in trainers from the home office to teach the supervisors how to solicit suggestions and feedback from the workers.
- Shortly after the new management style was introduced, the workers began quitting their jobs.
- When asked why, they replied that the new production manager and his supervisors apparently didn't know what to do and were therefore asking the workers for advice. Obviously, the company wouldn't last long with that kind of management, and they wanted to quit before the collapse, because then everyone would be hunting for a job at the same time.



CASE STUDY 2



Three Americans, none of whom had ever been to Japan, went to sell tractors to Japanese buyers. They thought the discussions had gone well and prepared to wrap up the deal. However, there was no reaction from the Japanese. The silence became disquieting, and so the Americans lowered the price. Because there was still no reaction, they again lowered the price. This went on until their price was far lower than they had planned. What they didn't know was that the Japanese had become silent not to indicate rejection of the proposition, but merely to throw it over, a customary Japanese negotiating practice.

CASE STUDY 3: Probably one of the most vexing problems for the newcomer to Latin America is the *manana* attitude. Ask the maintenance man when the machine will be ready, and he responds *manana*. The American assumes this means "tomorrow", the literal translation, but the maintenance man means "some time in the near future", and if he is reprimanded for not having the machine ready the next day, he is angry and bewildered. He reasons that everyone knows *manana* means "in the next few days."





CULTURE

... a system of values and norms that are shared among a group of people and that when taken together constitute a design for living

■ Hofstede, Namewirth and Weber

- **VALUES** = abstract ideas about what a group believes to be good, right, and desirable (i.e. shared assumptions about how things ought to be)
- **NORMS** = social rules and guidelines that prescribe appropriate behavior in particular situations
 - 1) folkways – norms of little moral significance
 - 2) mores – central to functioning of social life



What do we mean by culture?

“Culture is the collective programming of the mind which distinguishes the members of one group from another.”

~ Geert Hofstede

“Culture is a set of shared assumptions, values, and beliefs of a group of people by which they organize their common life.”

~ Gary Wederspahan

“Culture is an integrated system of learned behavior patterns that are characteristic of members of a given society. Culture refers to the total way of life of a particular group of people. It includes everything that a group of people thinks, says, does and makes- it’s customs, language, material artifacts and shared systems of attitudes and feelings. Culture is learned and transmitted from generation to generation.”

~ Robert Khols

"Culture" refers to a group or community which shares common experiences that shape the way its members understand the world. It includes groups that we are born into, such as race, national origin, gender, class, or religion. It can also include a group we join or become part of. For example, it is possible to acquire a new culture by moving to a new country or region, by a change in our economic status, or by becoming disabled. When we think of culture this broadly we realize we all belong to many cultures at once.

~ Marya Axner

Cross-cultural values: Americans, Japanese, Arabs?

1. freedom	1. belonging	1. family security
2. independence	2. group harmony	2. family harmony
3. self-reliance	3. collectiveness	3. guidelines of orderly
4. equality	4. age / seniority	4. age
5. individualism	5. group consciousness	5. authority
6. competition	6. cooperation	6. compromise
7. efficiency	7. quality	7. commitment
8. time	8. patience	8. patience
9. directness	9. indirectness	9. indirectness
10. openness	10. go between	10. hospitality

A DRESS CODE?



The Cultural Iceberg

Easy to see

- > customs
- > mores
- > courtesies

10 %

90 %

Difficult to see

- > values
- > priorities
- > assumptions





Forces Shaping National Culture

Urbanization

Nationalism

Colonisation

Education

Migration

Industrialization

**Minority
Experience**

National Culture

**Social
background**

**Cross-
cultural
Adjustments**

Values
World-views
Beliefs
Behaviours

**Ethnic
background**

Profession

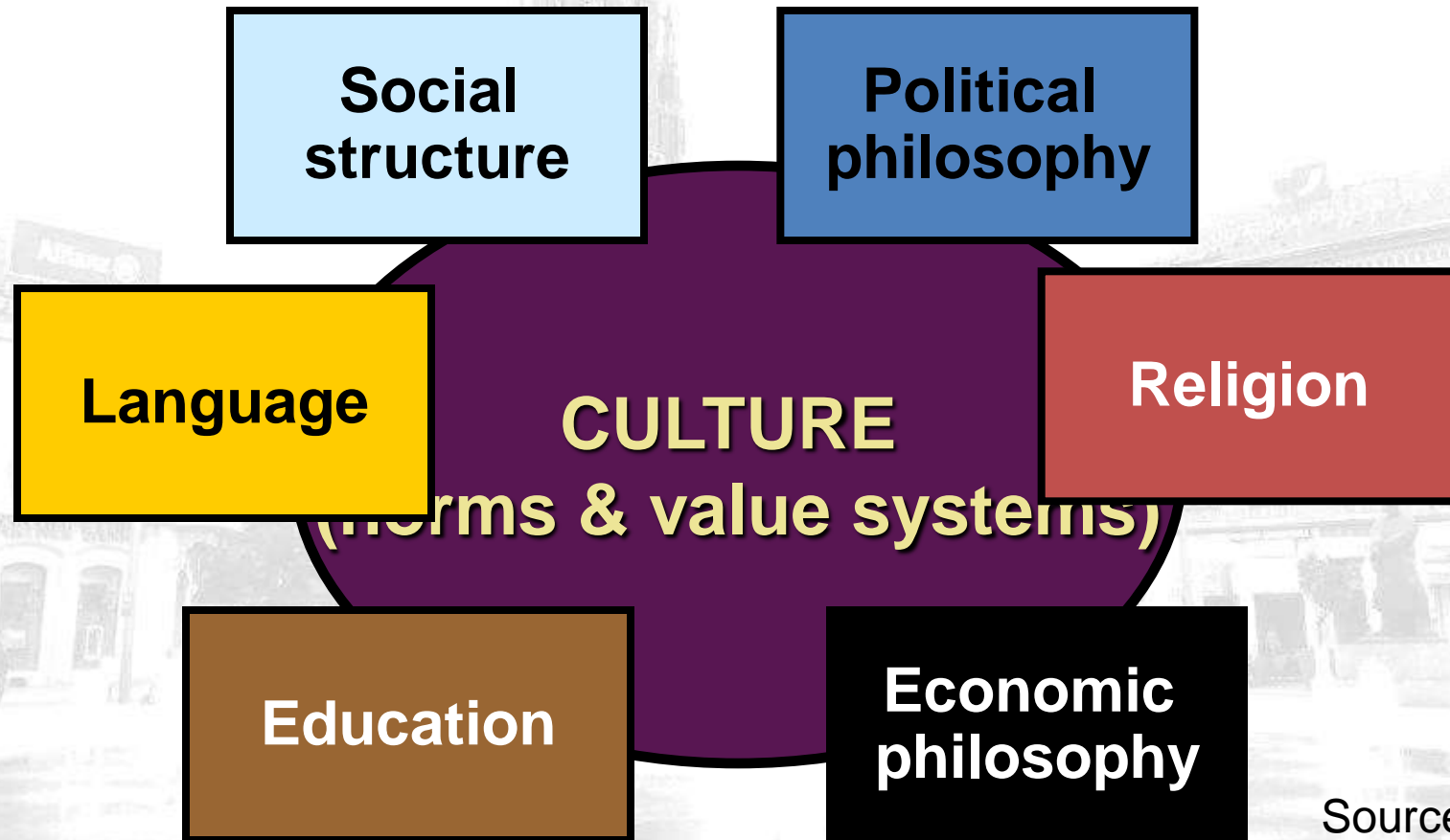
Religion

Gender

Language



The determinants of culture



Source:
C.W.L. Hill



Social structure (basic social organization)



main dimensions - the degree to which

- ... the basic unit of soc. organization is the individual, as opposed to the group
- ... a society is stratified into classes or castes on a hierarchical basis
- the individual: building block of many Western societies
 - entrepreneurship
 - social, geographical and inter-organizational mobility
- society may be stratified into classes or castes (e.g. according to family background, occupation, income)

high-low stratification; high-low mobility between strata





Individual vs Group Societal Characteristics

➤ INDIVIDUAL

- Managerial mobility between companies
 - Economic dynamism, innovation
 - Good general skills
 - Team work difficult, non-collaborative
- Exposure to different ways of doing business
- e.g., U.S. companies

➤ GROUP

- Loyalty and commitment to company
- In-depth knowledge of company
- Specialist skills
- Easy to build teams, collaboration
- Emotional identification with group or company
- e.g., Japanese companies





Religion, ethics & culture



- Religion: system of shared beliefs about the sacred
- Ethical systems: moral principles or values that shape and guide behavior; often products of religion



- Major religious groups and some economic implications

- Christianity → protestant work ethic
- Islam → Islamic economic principles
- Hinduism → anti-materialistic, socially stratified
- Buddhism → anti-materialistic, social equality
- Confucianism → hierarchy, loyalty, honesty



Language

➤ Language, spoken

- English – international business
- words which describe moral concepts can be unique to countries or areas
- spoken language precision important in low-context cultures

➤ Language, unspoken

- context... more important than spoken word in high context cultures



LANGUAGE MISTAKES



- Colgate introduced a toothpaste in France called Cue, the name of a notorious porno magazine.
- An American T-shirt maker in Miami printed shirts for the Spanish market that promoted a visit by Pope John Paul II. Instead of "I saw the Pope (el Papa)", the shirts read "I saw the potato" (la papa).
- Scandinavian vacuum manufacturer Electrolux used the following in an American ad campaign: "Nothing sucks like an Electrolux." But in America if something 'sucks' it means it is really bad.
- When General Motors introduced the Chevy Nova in South America, it was apparently unaware that "no va" means "it won't go." After the company figured out why it wasn't selling any cars, it renamed the car in its Spanish markets to the Caribe.

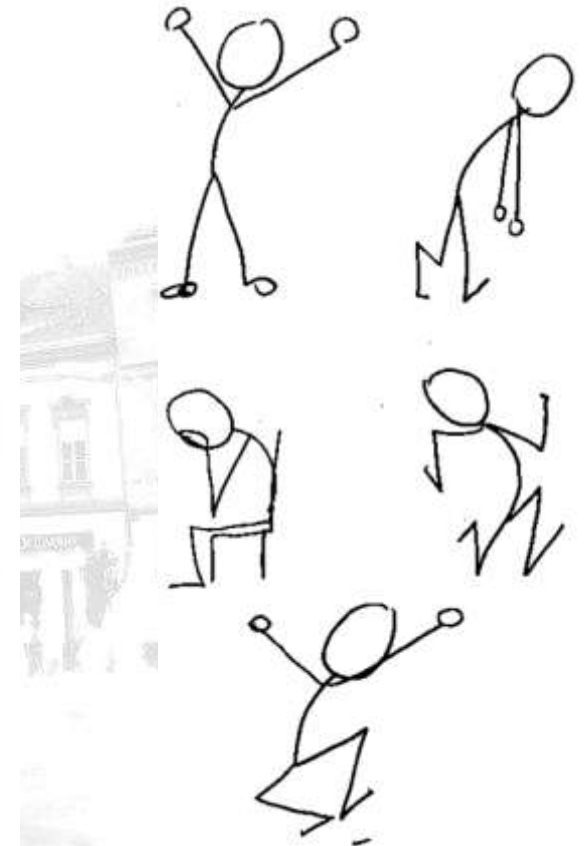
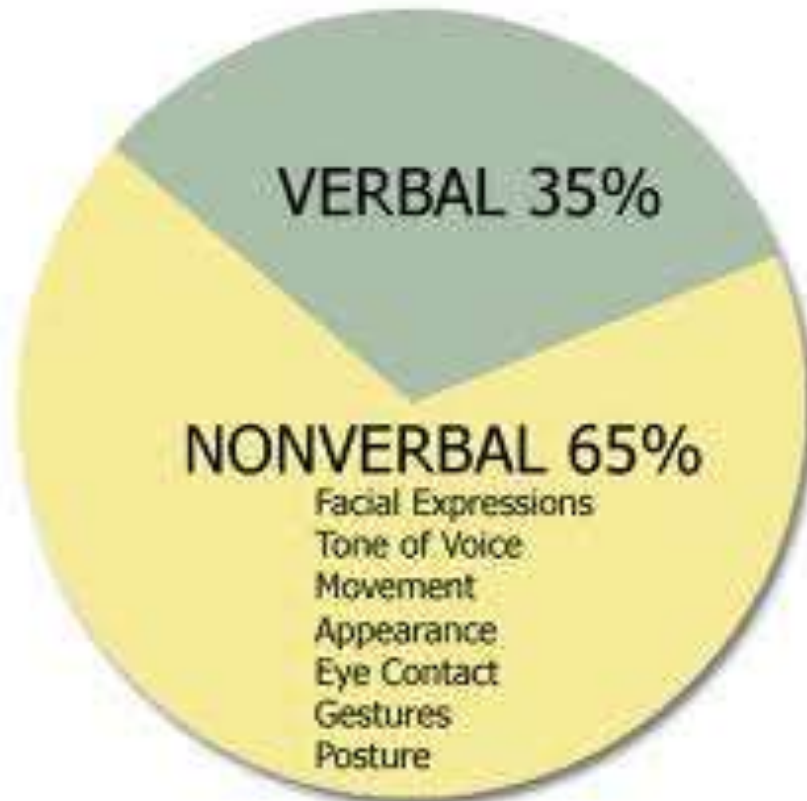


Communication forms

• HOW DO WE COMMUNICATE?

- verbal – with words (spoken or written)
- non-verbal (wordless communication)

- E.T. Hall

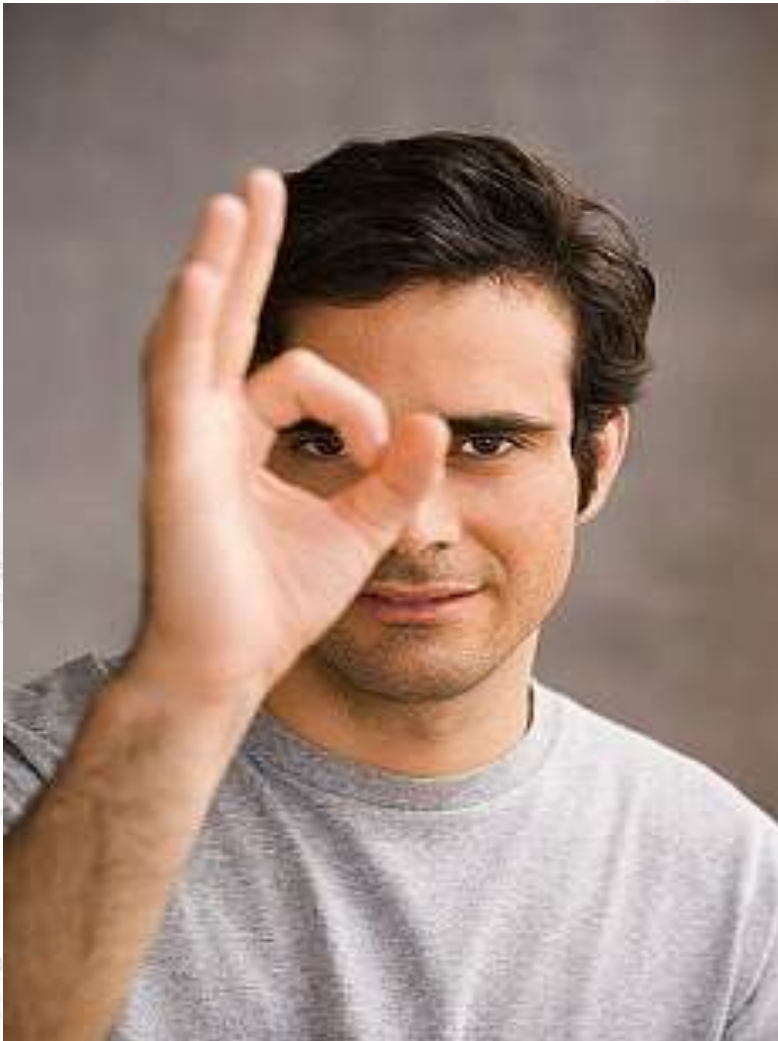


Non-verbal communication



- THINGS THAT YOU DON'T REALLY SAY; BUT THEY SAY A LOT ABOUT YOU
- apparent behaviors such as facial expressions, eyes, touching, and tone of voice, as well as less obvious messages such as dress, posture and spatial distance between two or more people.
- a communication where action speaks louder than words
- **Non verbal signals vary from culture to culture**

What is he saying?



- 'OK' to a Westerner
- 'money' to a Japanese
- 'zero' to the French
- insulting to the Turks and Brazilians



➤ Education

- medium through which people are acculturated
- language, “myths,” values, norms taught
- teaches personal achievement and competition
- critical to national competitive advantage
- education system may be a cultural outcome



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➤ Economic philosophy

- e.g. in what extent is a commitment to achieving and improving the competitiveness a conventional economic philosophy?



High- versus Low-Context Cultures

HIGH-CONTEXT CULTURE

- context is at least as important as what is actually said
- what is not being said can carry more meaning than what is said
- focuses on group development

LOW-CONTEXT CULTURE

- most of the information is contained explicitly in words
- what is said is more important than what is not said
- focuses on individual development



High/Low Context Cultures

High-Context	Low-Context
<u>Crucial to Communications:</u> external environment, situation, non-verbal behavior	explicit information, blunt communicative style
<u>Relationships:</u> long lasting, deep personal mutual involvement	short duration, heterogeneous populations
<u>Communication:</u> economical, fast because of shared "code"	explicit messages, low reliance on non verbal
<u>Authority person:</u> responsible for actions of subordinates, loyalty at a premium	diffused through bureaucratic system, personal responsibility tough to pin down
<u>Agreements:</u> spoken, flexible and changeable	written, final and binding, litigious, more lawyers
<u>Insiders vs outsiders:</u> very distinguishable	difficult to identify, foreigners can adjust
<u>Cultural pattern change:</u> slow	faster





High Context Cultures

Low Context Cultures

Information implicitly received

Information explicitly conveyed

Japanese

Arabic

Latin American

Italian

English

French

North American

Scandinavian (except Finland)

German

Swiss-German



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UNDERSTANDING CULTURE AND CULTURAL DIFFERENCES

- A simple and useful tool for understanding and training self-awareness, personal development, improving communications, interpersonal relationships, group dynamics, team development and inter-group relationships
- JOHARI window – one of the most used communication models
- (psychologists **JO**seph Luft and **HA**rry Ingham, 1955, USA)



Known to me

Unknown by me

Known to others

Open for discussion,
public = arena
(share & discover, tell, give & ask for feedback)

Blind area
(ask for feedback, listen and learn)

Not known to others

Facade / mask
(hidden, private area)
(give feedback, self-disclosure)

Mutually unknown
(untapped potential)
(explore, learn, self-discover, let go, have fun)

Self-disclose



Feedback



Unconscious



Goals: increase the area of arena and decrease the area of unknown

Etiquettes & cultural stereotypes

➤ Cultural stereotypes: values and behaviors considered typical of a culture

➤ Are they valuable?

Yes, if they reduce uncertainty about what expatriate can expect

No, if used to label an individual unlike the stereotype



The joke: intercultural stereotypes

- **The United Nations sent out a worldwide survey. The request: Please give your honest opinion about possible solutions to end the food shortage in the rest of the world.**
- **That survey has been a disaster.**

In **Africa**, nobody understood the meaning of food.

In **Eastern Europe**, nobody understood the meaning of honest.

In **Western Europe**, nobody understood the meaning of shortage.

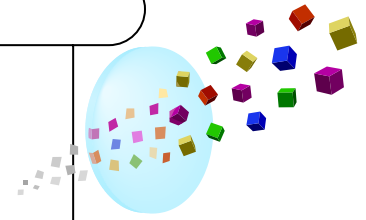
In **China**, nobody understood the meaning of give your opinion.

In the **Middle East**, nobody understood the meaning of solution.

And in **the United States**, nobody understood the rest of the world.



- culture change over time
- it is not a constant – it evolves over time; but, a change is slow and often painful



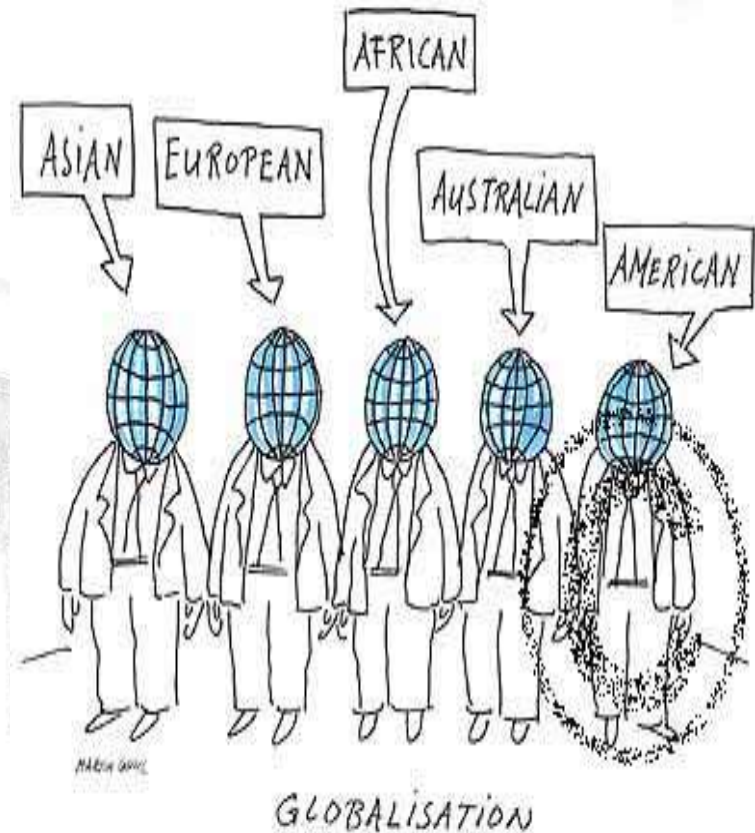
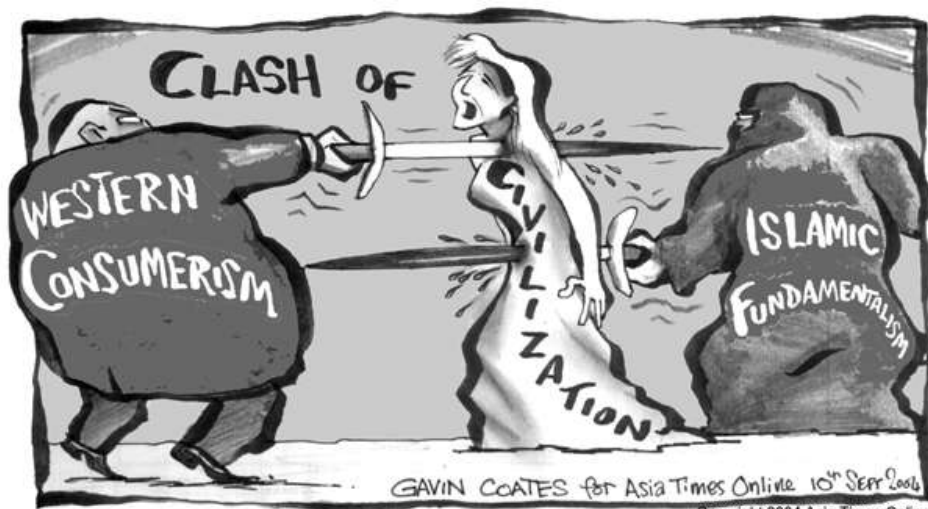
Cox & Forkum
©2003



CULTURE CLASH

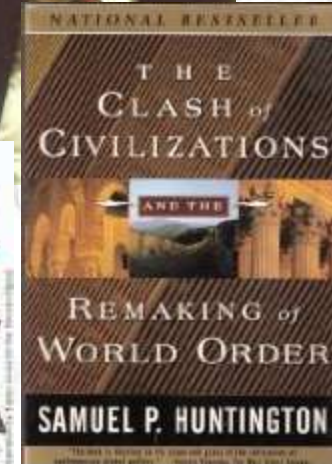
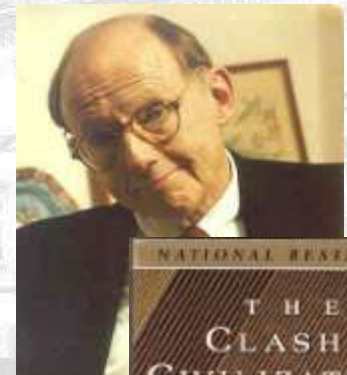
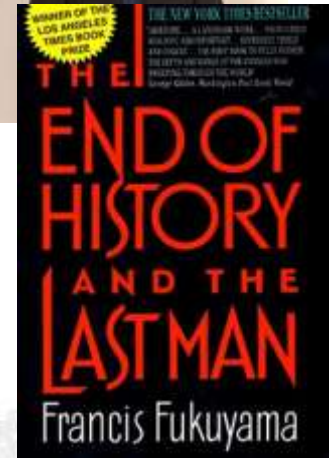
Dilemma:

- Universal civilization, a clash of civilizations, or something else?
- Civilizations = the highest cultural entity that encompass the broadest memberships sharing cultural similarities (religion, linguistic features, ethnicity, etc.)

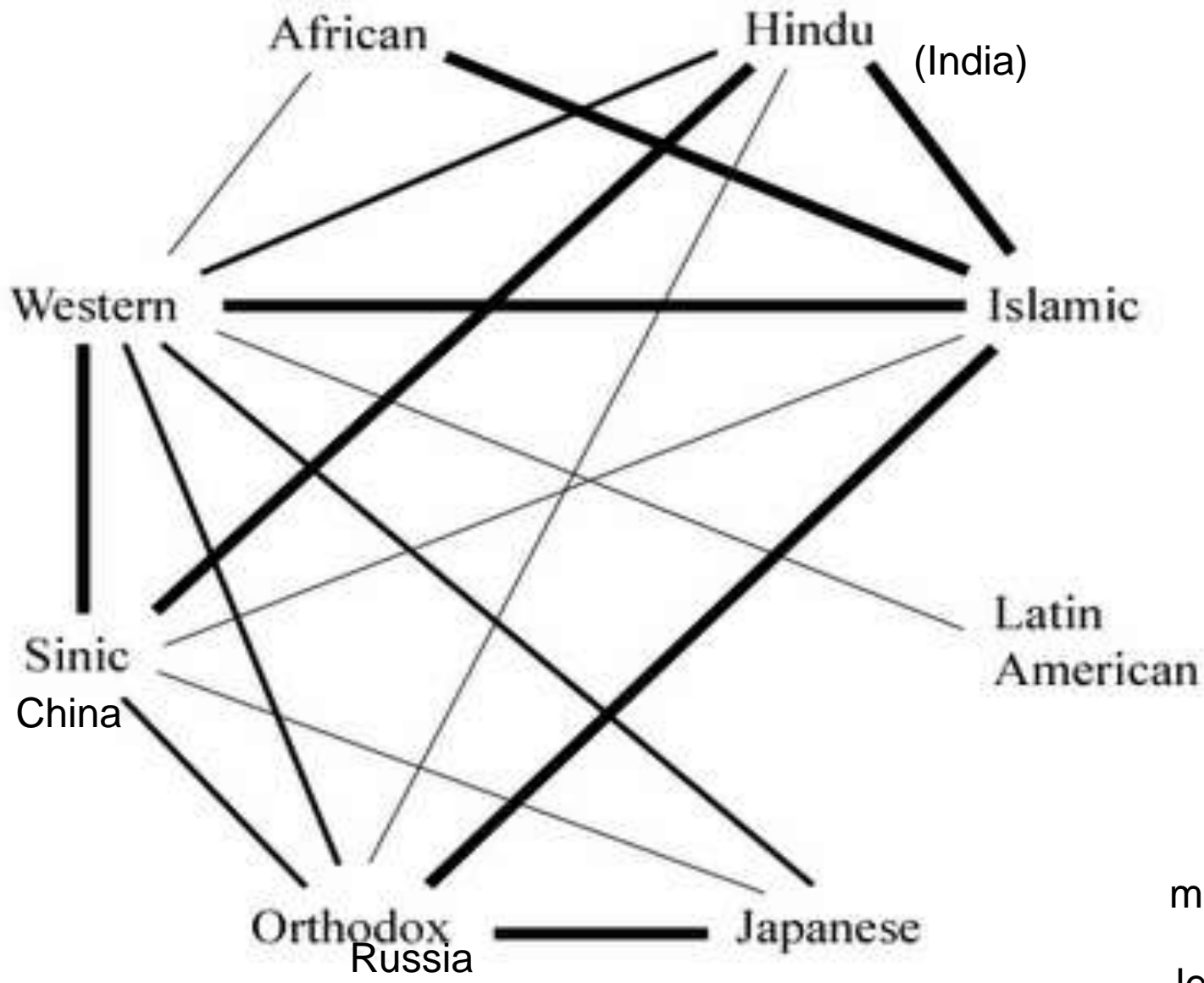


Hill, C.W.L., 2003.

- **Francis Fukuyama**: a world will be more harmonious; a universal civilization will be dominated (it will be characterized by democratic regimes and free market capitalism)
- **Samuel Huntington**: a world will be split into different civilizations, each of which has its own value systems and ideology
 - civilizations are more likely to conflict in the future; e.g. the West and Islam, the West and China



"Emerging alignments" of civilizations, per Samuel Huntington's theory in *The Clash of Civilizations* (1996).



more conflictual
less conflictual



Greater line thickness represents more conflict in the civilizational relationship.



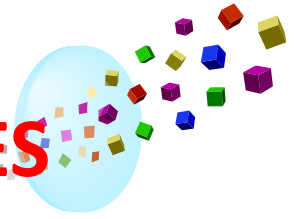
Culture and regional development - challenges

- to further integrate the cultural and creative sectors into regional and local development strategies (in line with smart specialization)
 - involves a process of developing a vision, identifying competitive advantage, setting strategic priorities and making use of smart policies to maximize the knowledge-based development potential of any region, strong or weak, high-tech or low-tech
- to bring about the emergence of a creative environment that promotes traditional cultural assets, stimulates the development of creative businesses, favors a better mix of investment in infrastructures and in human capital and supports spill-over effects into the local existing industries

Source: http://ec.europa.eu/culture/our-policy-development/culture-and-regional-development_en.htm



MANAGING CULTURAL DIFFERENCES



- strategies depend on the relationship toward culture; i.e. is it treated as unimportant, an issue or threat, or possibility for learning and innovating (as a source of competitive advantages)

- strategies:

- ignore cultural differences
- minimize cultural differences
- manage cultural diversity



Nancy J. Adler



Strategies



- **1. IGNORE DIFFERENCES**– "business is business"; Ignore the impact of cultural diversity on regional development and the organization
- **2. MINIMIZE DIFFERENCES** – minimize the sources and impact of cultural diversity on regional development and the organization, create a global business culture ("melting pot")
- **3. MANAGE DIFFERENCES** – train local population and organizational members to recognize cultural differences and use them to create advantages; find balance between sensibility to local needs and central control

