

Impact of Cultural Dimensions to Individualism, and Collectivism Dimension

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Abstract: Globalization is growing and barriers seem to be dwindling. Therefore, trade barriers are eliminated, communication channels are simplifying business processes and the world appears to be shrinking to a village (Werlen, 2000, p. 23). The internalization of firms is a strategically planned result that has been motivated by major considerations, and one main factor for decision-making is the conception of psychic distance. Psychic distance is based on the cognitions of other cultures and influences the internationalization processes. Dow (2008, p. 1) revealed six main influencing factors: cultural differences, language, religion, level of education, industrial development and political system. Culture is a ambiguous construct and understanding how culture relates to psychological phenomena is essential to analyse the determining dimensions such as the individualism and collectivism dimension. There exists a broad vision of cultural dimensions and a controversial discussion is ongoing. The focus of these discussions is the differentiation between cultural values.

Key words: cultural dimensions; individualism; collectivism; impact

JEL codes: F00, F23, F60, 057, Z10

1. Introduction

Psychical distance, psychic proximity, psychological distance and cultural distance are used as common terms. But there is a differentiation between cultural and psychological distance.

Cognition research focused on structures and processes which occur before decision-making and acting (Lüer, 1998, p. 16). Neither neuropsychology nor psychology can explain the complexity of environmental and individual reflections. Dow (2008, p. 3) differentiates between six variables which impact psychical distance: export-decision-making, grade of adaptation of foreign markets, international phenomena, entry mode in foreign markets, market selection, and international performance. Whereas Samiee and Athanassiou (1998, p. 84) focused on how culture impacts the behavior of organizations. Table 1 presents the factors of high and low cultural dependencies.

According to Hofstede "...cultural differences can be measured indirectly; that is, they can be inferred from data about collective behavior, such as the way a country's national wealth is distributed over its population; the mobility from one social class to another; or the frequency of political violence or labour conflicts, traffic accidents, or suicides. All of these can tell us something about a country's culture, but it is not always clear how

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they should be interpreted” (Hofstede, Bond, 1988, p. 8).

Table 1 Impact of Cultural Factors to Psychic Distance

High cultural dependencies	Low cultural dependencies
<ul style="list-style-type: none"> • Conflict • Cultural nature of managers • Expatriates as coordination tools • Fairness • Favorability • Global learning • Organizational commitment • National cultural character • Personal commitment • Political risk • Social harmony • Satisfaction • Subsidiary CEO nationality • Subsidiary to manager compliance 	<ul style="list-style-type: none"> • Dimensions of autonomy • Diversity index • Environmental variables • Firm size • Foreign operation dependence • Industry types • Internationalization advantage • International diversification • Levels of internationalization • Location advantage • Ownership advantage • Product diversification • Profitability • Resource patterns • Sales • Strategy elements • Structural characteristics • Subsidiary characteristics • Subsidiary interdependency • Technology

Source: own illustration based on Samiee, Athanassiou, 1998, p. 84.

2. Culture

Before cultural dimensions and their impact are discussed, it is important that the term *culture* is defined and analyzed. The Table 2 presents some definition approaches.

Hofstede stated that culture and identity are not the same. The answer to the question “where do I belong to” consists of identity. Therefore, identity is based on mutual images, emotions and stereotypes not on values (Hofstede, 2001, p. 10).

Culture and Nation are also related terms and are used as equivalent terms. “Our everyday understanding of culture is characterized by an expectation of uniformity.” (Rathje, 2009, p. 8).

Various authors have focused on measuring intercultural differences and Sing has classified these approaches into five categories which are presented in Table 3.

There exist various distances between home and target markets which influence the cognition and decision-making of organizations. Schreyögg (1999, pp. 312-313) stated that, organizations are surrounded by a global environment which can be differentiated by technological environment, political-legal environment, social-cultural environment, ecological environment and macro-economic environment. Another differentiation was developed by Child, NG and Wong (2002, p. 49). In their multi-dimensional approach, they differentiated between five distance creating factors: culture, economic development, education, technological development and geographic distance (including timely and climatically differences). Focusing on foreign subsidiaries Child, NG and Wong (2002, p. 49) identified five further factors: politics, social security, corruption, clearness of law framework and courtesy for investors in the target country.

Table 2 Definitions of Culture

Author, source	Definition
Tylor, 1871, p. 1	Culture "... is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capability and habit acquired by man as a member of society".
Hofstede, 1994, p. 5	"[Culture] is the collective programming of the mind which distinguishes the members of one group or category of people from another."
Kroeber & Kluckhohn, 1952, p. 181	"Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditional elements of future action."
Schwartz, 1992; cited by Avruch 1998, p. 17	"Culture consists of the derivatives of experience, more or less organized, learned or created by the individuals of a population, including those images or encodements and their interpretations (meanings) transmitted from past generations, from contemporaries, or formed by individuals themselves."
Matsumoto, 1996, p. 16	"... the set of attitudes, values, beliefs, and behaviors shared by a group of people, but different for each individual, communicated from one generation to the next."
Spencer-Oatey, 2008, p. 3	"Culture is a fuzzy set of basic assumptions and values, orientations to life, beliefs, policies, procedures and behavioral conventions that are shared by a group of people, and that influence (but do not determine) each member's behavior and his/her interpretations of the 'meaning' of other people's behavior."
Whitehill, 1964, p. 69	"...the whole complex of distinctive features characteristic of a particular stage of advancement in a given society."
Fayerweather, 1959, p. 7	"the attitudes, beliefs, and values of a society."

Table 3 Cultural Approaches Categorized by Sing

	Point of view	Main author
Structuralist approach	Culture is a stable system. Text and symbols are more important than behavior	Levi-Strauss (1963)
Interpretative approach	Culture is a public approach and information is widespread through symbols	Geertz, 1973
Cognitive approach	Structures of the world are meaningful because people are interpreting them and give them a signification	Keesing, 1987
Post-structuralist approach	Rejection of cognitive and interpretative approaches. Culture is not fixed and develops during action. Therefore, culture is unstable and unrealistic.	Butler, 1990; Clifford, 1986
Synthetic approach	Joins cognitive and interpretative approaches with interpretation. Culture happens outside of persons but between persons.	Strauss, Quinn, 1997

Source: own illustration based on Singh (2004, pp. 95-96).

Ghemawat (2001, p. 140) presented four main dimensions of distances: cultural distance, administrative distance, geographic distance, and economic distance, and divided these factors in distance creating attributes that are affected by distance. Another distance concept is language distance because "*physical distance makes effective communication necessary and cultural distance makes effective global communication essential.*" (Spinks, Wells, 1997, p. 287). Social distance relates to Adam Smith's "The Wealth of Nations" where sympathy declines when distances arise (Stabile, 1997, p. 292). Moreover, mental distance is related to psychic distance, but it is differentiated in contrast to psychic distance by focusing on more individual cognitive factors (Van Houtum, 1998, p. 5). The Figure 1 gives an overview of cultural and psychic distance:

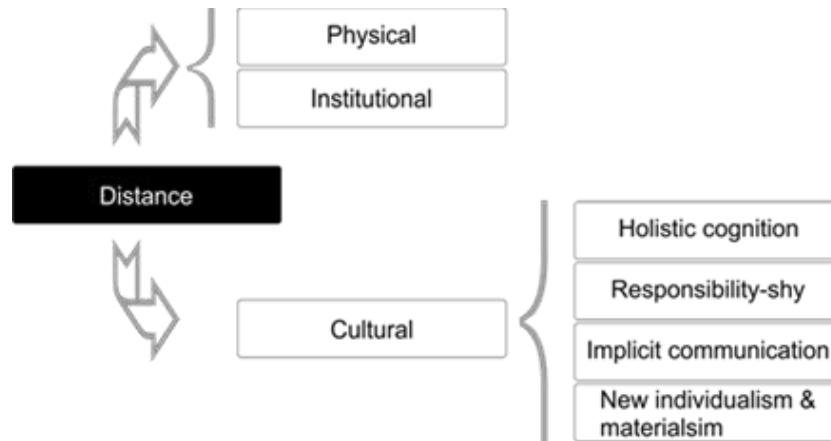


Figure 1 Dimensions of Cultural and Psychic Distance

Source: own illustration based on Li, Scullion, 2006, p. 76

Cultural distance is not related to individual cognition and therefore, it cannot be influenced by organizational factors, thus, it can be used to measure differences between countries (Sousa, Bradley, 2006, p. 61). The Table 4 presents various approaches to psychic distance.

Table 4 Definitions of Psychic Distance

Author(s)	Definition
Evans, Mavondo, 2000, p. 517	"...as the distance between the home market and foreign market, resulting from the perception of both cultural and business differences."
Clark, Pugh, 2001, p. 288	"Psychic distance sounds as though it is a subjective phenomenon — the greater or lesser barriers which a manager feels to initiating market servicing in a particular foreign country, as a result of lack of information and experience-based knowledge."
Kim, Rhee, 2001, p. 286	"Psychic distance can be defined as the degree to which a firm is uncertain about a foreign market resulting from cultural and other differences that present barriers to learning about the market."
Evans, Mavondo, 2002, p. 517	"the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences".
Harzing, 2003, p. 23	"it is the manager's perception of the level of [psychic distance] between specific countries that influences [their decisions]"
Hassel, Cunningham, 2004, p. 81	"Psychic Distance has two major dimensions: geographic distance and the complex milieu factors that make up culture."
Mayrhofer, 2004, p. 87	"Psychic distance refers to geographic, cultural, legal, religious, linguistic, historical, economic and ethnic differences between countries."

3. Cultural Dimensions

Between 1967 and 1978, Hofstede collected 116.000 questionnaires in 50 countries to reveal cultural behavioral differences (cf. Hofstede 1980; Hofstede 1993). Based on this data, he then developed a five-dimensional measurement to value and differentiate cultural patterns. These five dimensions are: uncertainty avoidance, individualism-collectivism, power distance, masculinity-femininity and paternalism (Hofstede, 1980).

3.1 Uncertainty Avoidance (UAI)

The fourth-dimension uncertainty avoidance is also called tolerance of unpredictability (Hofstede, 1997, p. 152) and relates to organizational sociology. Uncertainty and future are differently distinctive in each country. Extreme uncertainty creates unbearable fear, and each society has developed technically, legally, and religiously to assuage this fear (Hofstede, 1997, p. 153). Uncertainty is a feeling that is acquired and learned and is a societal element of culture which is inherited (Hofstede, 1997, p. 153). Uncertainty is not a rational factor, it is more based

on subjectivity. Thus, this phenomenon overlaps with subjectivity and parts with other members of a social society (Hofstede, 1997, p. 156). Social societies with a high graded uncertainty avoidance tend to build formal and informal rules and regulations, and rights and duties. Uncertainty avoidance and risk avoidance are different. Risk is seen as a specific fear whereas uncertainty is an unspecific fear (Hofstede, 1997, p. 161).

3.2 Individualism-collectivism (IC)

This dimension is a bipolar construct and focuses on the relationship between the subjective assignment of certain parts within the society, and Hofstede defined collectivistic societies as those where the individuum is subordinated to society. Individualism societies, therefore, are more focused on individual desires (Hofstede, 1997, p. 64). Individualism societies are characterised through casual relationships and these societies expect that each individuum arranges his own life and the lives of his family. In contrast to individualistic societies, collectivism societies are described as societies where individuum's are embedded in a narrow and closed society with underlining commonalities. Moreover, safety for its members is demanded, as is acceptance without basic environments (Hofstede, 1997, p. 66). Individualism and collectivism dimensions fluctuate between and within societies. The Table 5 presents differences between individualistic and collectivistic cultures.

Table 5 Examples of Differences Between Individualistic and Collective Cultures

Individualistic cultures	Collectivistic cultures
Each individuum is growing and takes care of itself and his/her family	Each individuum is born within an extended tribal family or group, and is secured by the group, whereas counter drawn loyalty is expected
Identity is based individually	Identity is related to the social network of the group
Children learn to think for themselves	Children learn to think for "we"
To express own meanings is a characteristic of sincerity	Harmony is essential; direct disputes are to avoid
Low-context-communication	High-context-communication
Entering a space without permission leads to a sense of indebtedness and a loss of self-esteem	Entering a space without permission leads to a loss of face for the individuum, and for the group
Aim of upbringing if something can be learned	Aim of upbringing is how something be done
Diplomas increase economical value and/or self-esteem	Diplomas enable access to higher status
Job advancement should be based on proficiency and rules	Job advancement is based on the group
Management is based on individuals	Management is the management of groups
Tasks are preferred against relationships	Relationships are preferred against tasks
Individual concerns are more important than collectivistic concerns	Collective concerns are dominating
Everyone has a right for the protection of privacy	Private life is dominated by groups
Meanings are expected from all	Meanings are group-predetermined
Laws and rules are valid for all people	Laws and rules are different according to the group
Government roles are limited	Government is the dominating economic system
Political power is executed by electors	Political power is executed by key stakeholders

Source: own illustration based on Hofstede, 1997, p. 3.

Another approach that focused on individualistic and collectivistic cultures was conducted by Hall, and he diversified between high-context culture and low-context culture (Apfelthaler, 2002, p. 46; Gelbrich, 2004, p. 81).

3.3 Power Distance (PDI)

Power distance describes different approaches of hierarchies in societies. Therefore, power distance can be seen as an indicator of inequality in societies (Hofstede, 1997, p. 32). Moreover, power distance can be expressed in leadership styles. Autocratic and patriarchal leaders own more power distance than leaders with a lower emotional distance between their subordinates. In societies with a high-power distance, managers have more rights than their followers. If power distance is smaller, hierarchical structures are lower and managers and subordinates are seen as equivalent (Hofstede, 1997, p. 32).

3.4 Masculinity-femininity (MAS)

Before this dimension is discussed in detail, it is important to differentiate between masculinity and femininity. Hofstede underlines that both terms are based on biological, societal, and cultural predetermined differences and is therefore relative and not absolute (Hofstede, 1997, pp. 109-110). Based on these factors, it can be mentioned that behavior can deviate from societal conventions and thus this determines whether a society is traditional or modern, collectivistic or individualistic. According to Hofstede, the difference in gender roles is determined by mental programs and they are therefore unconscious (Hofstede, 1997, p. 117).

3.5 Long- and Short-Term Dimension (LTO – Paternalism)

This cultural dimension esteems a bias of Hofstede's research, which could have been avoided by including Asian cultural studies within his questionnaire (Hofstede, 1997, pp. 226-227). Firstly, this dimension was named Confucian Dynamics. This dimension describes values of Western thinking but was not valued highly (Hofstede, 1997, p. 231). Hofstede defined the long-term orientation as persistency and austerity, which focus on future success. In contrast to that, short-term-orientation honors virtues of the past and presence which are related to traditions, saving face, and compliance of social responsibilities (Hofstede, 2005, pp. 292-293). Countries which are attached to short-term dimensions are characterised through high levels of respect, personal stability and status-conscious, whereas long-time oriented countries force persistence, austerity, and the fulfilment of societal objectives.

3.6 Indulgence (IND)

The Table 6 presents diversities between indulgence and restrained societies.

Table 6 Characteristics of Indulgence and Restrained Cultures

Indulgence	Restrained
<ul style="list-style-type: none"> • Higher percentage of people declaring themselves very happy • A perception of personal life control • Freedom of speech seen as important • Higher importance of leisure • More likely to remember positive emotions • In countries with educated populations, higher birth-rates • More people actively involved in sports • In countries with enough food, higher percentage of obese people • In wealth countries, lenient sexual norms • Maintaining order in the nation is not given a high priority 	<ul style="list-style-type: none"> • Fewer very happy people • A perception of helplessness: what happens to me is not my own doing • Freedom of speech is not a primary concern • Lower importance of leisure • Less likely to remember positive emotions • In countries with educated populations, lower birth-rates • Fewer people actively involved in sports • In countries with enough food, fewer obese people • In wealthy countries, stricter sexual norms • Higher number of police officers per 100,000 population

Source: Hofstede, 2011, p. 16

3.7 Critics

Hofstede's conception has been criticized because he sees culture within a country as being homogenously distributed. Thus, it can be argued that between town and country there exists significant differences in culture. Moreover, the bigger a country the more regional differences are present. Furthermore, other critics of Hofstede's research comment on organizational level, and that differences can exist between organizational and country cultures. Another critic discusses the age of Hofstede's research, as it was conducted in the 1960's (Kröger, n.d., p. 12).

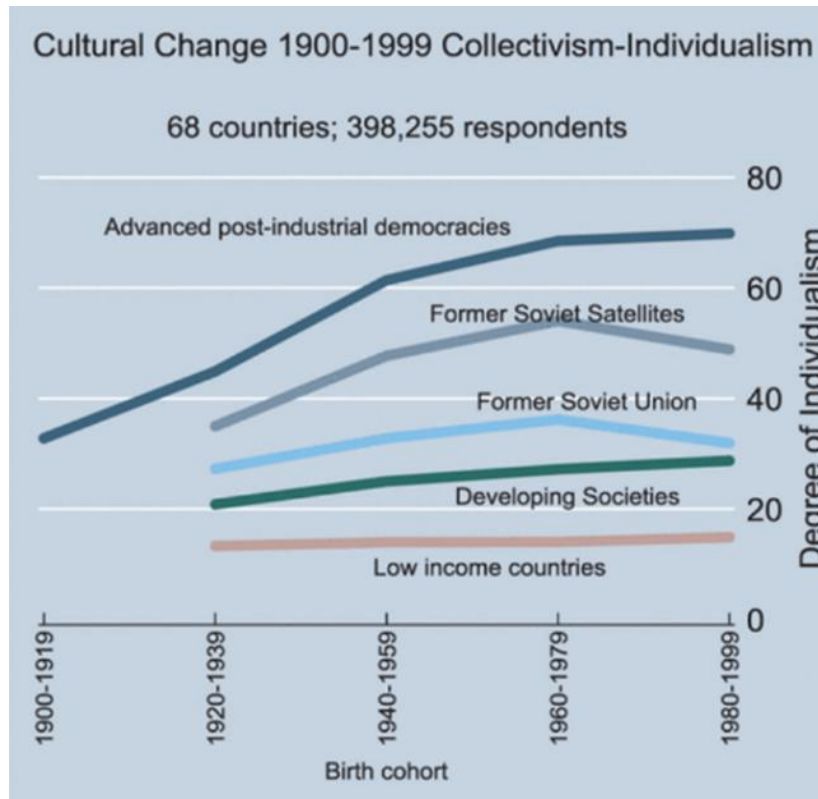


Figure 2 Cultural change Collectivism-Individualism

Source: Beugelsdijk, Welzel, 2018, p. 1.490.

Figure 2 shows changes of collectivism-individualism based on birth cohorts which underlines the theoretical critics of Kröger (Kröger, n.d., p. 12). Impact of cultural dimensions on individualism and collectivism dimension.

Culture is the product of groups of people living in the same place based on similar attitudes and behaviors (Weerarathna, Geeganage, 2014, p. 986). Differences in national cultural can effect behaviors across all cultural dimensions. Ghemawat/Reiche identified that cultural differences are provided by patterns of trust between countries (Ghemawat, Reiche, 2011, p. 7).

4. Conclusion

Cultural dimensions impact individualism, and collectivism dimensions, whereas individualism and collectivism dimensions influence other cultural dimensions. Thus, the impact varies according to the situational challenges, environment and involved actors.

Knowledge of the existence of cultural differences means that people are aware of cultural change. Moreover,

cultures are shifting in different directions (Yi, 2018, w.p.). Yi underlines that, “culture is not a stagnant phenomenon” (2018, w.p.) and that “dormancy, continuity, and sustainability are not guaranteed characteristics of cultural phenomena, at least in this modern time of cultural locomotion.” Yi also states that individualistic and collectivistic tendencies can transform in culture because interrelationships among nations can change cultures. These changes are related to social exchanges, for example sporting events, the use of foreign products and entertainments and the influence of the media (Yi, 2018, w.p.). Beugelsdijk and Welzel (2018, p. 1497) provided a synthesis of Hofstede’s multidimensional cultural framework and Inglehart’s cultural change and concluded that Hofstede’s six-dimensional framework can be collapsed to a three-dimensional framework. “The (first) Collectivism–Individualism dimension mimics Hofstede’s Individualism dimension. It also correlates with Power Distance, which is not surprising because just as in Hofstede’s original case, Individualism and Power Distance form one factor. The second dimension, Duty–Joy, captures Hofstede’s Restraint–Indulgence. The third dimension, Distrust–Trust, is statistically closely related to Hofstede’s Uncertainty Avoidance dimension.” (Beugelsdijk, Welzel, 2018, pp. 497-498). Hofstede states that cultures with a high-power distance like Japan, Asia, South America, some countries in Africa and the Arabian world tend to be more collectivising. Individualism is more connected with the free-market economies (Hofstede, 2019, w.p.).

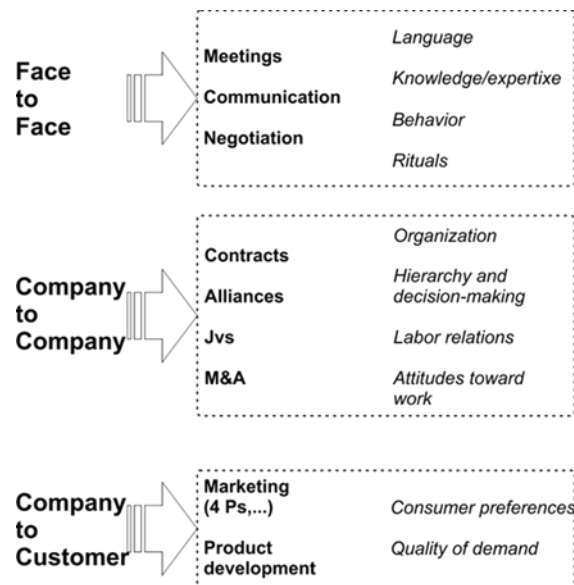


Figure 3 Cross-cultural Business Contexts

Cross-cultural business contexts influence face to face, company to company and company to customer contacts. To illustrate the relationship and impact between cultural dimension and the individualism and collectivism dimension, four countries have been chosen: Germany, China, South Korea, and the United States.

Table 7 Comparison of Four Different Countries Over All Hofstede’s Dimensions

	ICD	PDI	MAS	UAI	LTO	IND
Germany	67	35	66	65	83	40
China	20	80	66	30	87	24
South Korea	18	60	39	85	100	29
United States	91	40	62	46	26	68
Correlations	0	-0.84174158	0.477433791	-0.15685173	-0.85677884	0.932267037

Source: own illustration based on Hofstede Insights, 2019, w. p..

This paper considers theoretical factors and the published research papers. Individualism and collectivism cannot be seen as an outstanding dimension, and it is argued that all cultural dimensions have various levels of influence, mutually. Despite the controversies in Hofstede's model, it can be concluded that it builds a possible master profile for research about intercultural phenomena.

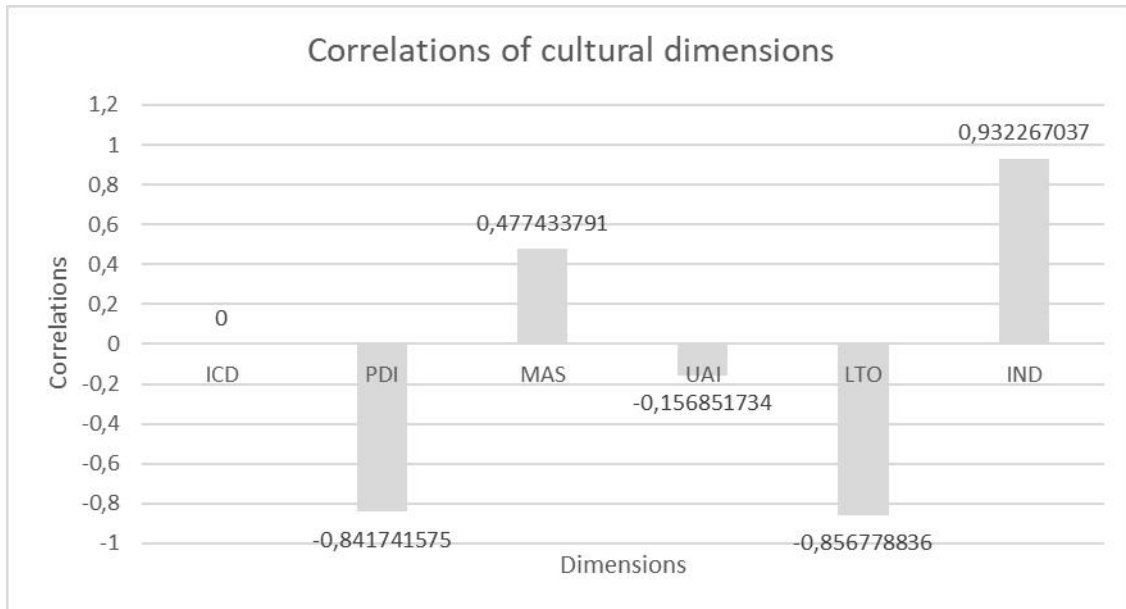


Figure 4 Correlations of Cultural Dimensions

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