

Chapter 6

Hofstede's Dimensions of Culture and their Influence on International Business Negotiations¹

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National, Professional, and Organisational Cultures in International Negotiations

Negotiators in international negotiations, by definition, have different national cultural backgrounds. "Cultural" is used here in a sense of "collective programming of the mind which distinguishes the members of one category of people from another". National culture is that component of our mental programming which we share with more of our compatriots as opposed to most other world citizens. Besides our national component, our cultural programs contain components associated with our profession, regional background, sex, age group and the organisations to which we belong. National cultural programming leads to patterns of thinking, feeling and acting that may differ from one party in an international negotiation to another.

The most fundamental component of our national culture consists of values. Values are broad preferences for one state of affairs over others. Values are

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acquired in the family during the first years of our lives, further developed and confirmed at school and reinforced in work organisations and in daily life within a national cultural environment. Values determine what we consider as good and evil, beautiful and ugly, natural and unnatural, rational and irrational, normal and abnormal. Values are partly unconscious and because of their normative character, hardly discussable. We cannot convince someone else that his/her values are wrong. It is essential that negotiators share the national culture and values of the country they represent, because otherwise they will not be trusted by their own side.

Other components of national culture are more superficial — that is, visible, conscious and easy to learn even by adults. They include symbols: words, gestures and objects that carry a specific meaning in a given culture. The entire field of language consists of symbols; and a culture group's language can be learned by outsiders. Besides symbols, a culture has its collective habits or rituals, ways of behaviour that serve to communicate feelings more than information; these, too, can be learned by outsiders, although not as easily.

Those involved in international negotiations will have developed a professional negotiation culture, which considerably facilitates the negotiation process. This professional culture, however, is more superficial than their national cultures: it consists of commonly understood symbols and commonly learned habits more than of shared values. Different types of negotiators will have their own kind of professional cultures: diplomats, bureaucrats, politicians, business people, lawyers, engineers, etc. Negotiations are easier with people from other countries sharing the same professional culture than with those who do not.

Finally, organisations, too, develop their own cultures. In the field of international negotiations, international bodies, such as, International Institute for Applied Systems Analysis (IIASA), the IAEA and the various other United Nations (UN) agencies, can play an important role because their internal culture facilitates communication. Again, and even more than in the case of professional cultures, these organisation cultures are superficial — that is, they reside on the level of the easily acquired common symbols and habits. Organisational cultures are not always an asset; they can develop into liabilities, too, by blocking communication instead of facilitating it.

The behaviour of negotiators in international negotiations will thus be influenced by at least three levels of culture: national, professional and organisational, besides the contribution of their own personal skills and character.

Dimensions of Differences in National Cultures

The remainder of this chapter will be devoted to national culture differences and their supposed impact on negotiation styles, because it is in this area that the author's research has been mostly focused. National culture differences, as we argued, reside to a large extent in values acquired in early life, and are therefore quite deep-seated, often unconscious and hardly discussable.

National cultural value systems are quite stable over time; element of national culture can survive amazingly long, being carried forward from generation to generation. For example, countries that were once part of the Roman empire still today share some common value elements, as opposed to countries that did not inherit from Rome.

National cultural value systems have been measured in international comparative research projects. Such projects use samples of people from different countries as respondents on value questions. These samples should be carefully matched — that is, composed of similar people from one country to another, similar in all respects except nationality (same age, sex, profession, etc.). They need not be representative of the entire population of a country, although if this is possible, it makes the sample even more attractive. Two such international comparative value research projects were carried out by this author (Hofstede 1980, 1983) and by Bond (1987), respectively.

The Hofstede-IBM Study

The Hofstede research used a data bank containing 116,000 questionnaires of the values of employees of the multinational business organisation IBM in 72 countries, and collected between 1967 and 1973. These employees represent extremely well-matched subjects of each country's population, because they do the same jobs with the same technology in the same kind of organisation, have the same education levels and can be matched by age and sex. Initially, data from 40 countries were analysed; later on, this number was extended to 50, and data from 14 more countries were grouped into three geographic regions — East Africa, West Africa and Arab speaking countries — bringing the total number of cultures covered up to 53. As the data were collected inside a capitalist enterprise, the socialist countries are not covered in this research project. However, matched data from a Yugoslav organisation selling and servicing IBM equipment are included.

The IBM project revealed that the 53 countries covered differed mainly along four dimensions:

- (1) *Power distance*, that is, the extent to which the less powerful members of organisations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more vs. less), but defined from below, not from above. It suggests that a society's level of inequality is in the followers as much as in the leaders. Power and inequality, of course, are extremely fundamental facts of any society, and anybody with some international experience will be aware that "all societies are unequal, but some are more unequal than others".
- (2) *Individualism* on the one side vs. its opposite, *Collectivism*. This describes the degree to which the individuals are integrated into groups. On the individualist side, we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her family. On the collectivist side, we find societies in which people from birth onward are integrated into strong, cohesive ingroups; often their extended families (with uncles, aunts and grandparents) continue protecting them in exchange for unquestioning loyalty. The word "collectivism" in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, relevant to all societies in the world.
- (3) *Masculinity* vs. its opposite *Femininity*. The distribution of roles between the sexes is another fundamental issue for any society to which a range of solutions are found. The analysis of the IBM data revealed that: (a) women's values differ less among societies than men's values; (b) if we restrict ourselves to men's values (which vary more from one country to another), we find that they contain a dimension from very assertive and competitive and maximally different from women's values on the one side, the modest and caring and similar to women's values as the other. We have called the assertive pole "masculine" and the modest, caring pole "feminine". The women in the feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values.

The three dimensions described so far all refer to expected social behaviour: toward people higher or lower in rank (Power Distance), toward the group (Individualism/Collectivism) and as a function of one's sex (Masculinity/Femininity). It is obvious, that the values corresponding to these cultural choices are bred in the family: Power Distance by the degree to which children are expected to have a will of their own. Individualism/Collectivism by the

cohesion of the family vs. other people, and Masculinity/Femininity by the role models that parents and older children present to the younger child.

- (4) A fourth dimension found in the IBM studies does not refer to social behaviour, but to man's search for truth. We called it "Uncertainty Avoidance": it indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. "Unstructured situations" are novel, unknown, surprising, different from usual. Uncertainty-avoiding cultures try to prevent such situations by strict laws and rules, safety and security, and on the philosophical and religious level by a belief in absolute truth: "There can only be one Truth and we have it". People in uncertainty-avoiding countries are also more emotional and motivated by inner nervous energy. The opposite type, uncertainty-accepting cultures, are more tolerant of behaviour and opinions different from what they are used to do; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions.

Table 6.1 lists scores for the 53 cultures in the IBM research, which allow positioning them in each of the four dimensions (plus a fifth, which we will describe in the next section). These scores are relative. We have chosen our scales such that the distance between the lowest- and the highest-scoring country is about 100 points.

The Bond Study

The other comparative value research project relevant to our topic was carried out by Michael Bond of the Chinese University of Hong Kong. He asked a number of Chinese social scientists to prepare a list of basic values for Chinese people. After discussion and elimination of redundancies, this led to a 40-item Chinese questionnaire which was subsequently translated into English. Through an international network of colleagues, this Chinese Value Survey was administered to 1000 students in a variety of disciplines (500 male, 500 female) in each of the 22 countries from all five continents; the only socialist country covered was Poland. Wherever possible, translations into the local language were made directly from the Chinese. To a Western mind, some of the items such as, "filial piety" look exotic — so exotic that it was explained "obedience

Table 6.1: Scores on five dimensions for 50 countries and 3 regions.

Country	Power Distance			Individualism		Masculinity		Uncertainty Avoidance		Confucian Dynamism	
	Index (PDI)	Rank		Index (IDV)	Rank	Index (MAS)	Rank	Index (UAI)	Rank	Index (CFD)	Rank
Argentina	49	18-19		46	31-32	56	33-34	86	39-44	-	-
Australia	36	13		90	52	61	38	51	17	31	9-10
Austria	11	1		55	36	79	52	70	29-30	-	-
Belgium	65	34		75	46	54	32	94	48-49	-	-
Brazil	69	40		38	27-28	49	27	76	32-33	65	18
Canada	39	15		80	49-50	52	30	48	12-13	23	4
Chile	63	29-30		23	16	28	8	86	39-44	-	-
Colombia	67	37		13	5	64	42-43	80	34	-	-
Costa Rica	35	10-12		15	8	21	5-6	86	39-44	-	-
Denmark	18	3		74	45	16	4	23	3	-	-
Ecuador	78	45-46		8	2	63	40-41	67	26	-	-
Finland	33	8		63	37	26	7	59	22-23	-	-
France	68	38-39		71	43-44	43	18-19	86	39-44	-	-
Germany, F. R.	35	10-12		67	39	66	44-45	65	25	31	9-10
Great Britain	35	10-12		89	51	66	44-45	35	6-7	25	5-6
Greece	60	26-27		35	24	57	35-36	112	53	-	-
Guatemala	95	51-52		6	1	37	11	101	51	-	-
Hong Kong	68	38-39		25	17	57	35-36	29	4-5	96	22
Indonesia	78	45-46		14	6-7	46	23-24	48	12-13	-	-
India	77	43-44		48	33	56	33-34	40	9	61	17
Iran	58	24-25		41	30	43	18-19	59	22-23	-	-
Ireland	28	5		70	42	68	46-47	35	6-7	-	-
Israel	13	2		54	35	47	25	81	35	-	-
Italy	50	20		76	47	70	49-50	75	31	-	-
Jamaica	45	17		39	29	68	46-47	13	2	-	-
Japan	54	21		46	31-32	95	53	92	47	80	-
Korea, Rep. of	26-27	18		11	39	13	35	37-38	75	-	-
Malaysia	53	26		18	50	28-29	36	8	-	-	-
Mexico	81	48-49		30	22	69	48	82	36	-	-
Netherlands	38	14		80	49-50	14	3	53	19	44	14
Norway	31	6-7		69	41	8	2	50	16	-	-
New Zealand	22	4		79	48	58	37	49	14-15	30	8
Pakistan	55	22		14	6-7	50	28-29	70	29-30	0	1
Panama	95	51-52		11	3	44	20	86	39-44	-	-
Peru	64	31-33		16	9	42	16-17	37	45	-	-
Philippines	94	50		32	23	64	42-43	44	10	19	3
Portugal	63	29-30		27	19-21	31	9	104	52	-	-
South Africa	49	18-19		65	38	63	40-41	49	14-15	-	-
Salvador	66	35-36		19	12	40	14	94	48-49	-	-
Singapore	74	41		20	13-15	48	26	8	1	48	15
Switzerland	34	9		68	40	70	49-50	58	21	-	-
Taiwan	58	24-25		17	10	45	21-22	69	28	87	21
Thailand	64	31-33		20	13-15	34	10	64	24	56	16

Table 6.1: Continued.

Country	Power Distance		Individualism		Masculinity		Uncertainty Avoidance		Confucian Dynamism	
	Index (PDI)	Rank	Index (IDV)	Rank	Index (MAS)	Rank	Index (UAI)	Rank	Index (CFD)	Rank
Spain	57	23	51	34	42	16-17	36	39-44	-	-
Sweden	31	6-7	71	43-44	5	1	29	4-5	33	12
Turkey	66	35-36	37	26	45	21-22	35	37-38	-	-
Uruguay	61	28	36	25	38	12	100	50	-	-
USA	40	16	91	53	62	39	46	11	29	7
Venezuela	81	48-49	12	4	73	51	76	32-33	-	-
Yugoslavia	76	42	27	19-21	21	5-6	88	46	-	-
Regions:										
East Africa	64	31-33	27	19-21	41	15	52	18	25	5-6
West Africa	77	43-44	20	13-15	46	23-24	54	20	16	2
Arab Countries	80	47	38	27-28	53	31	68	27	-	-
Bangladesh	-	-	-	-	-	-	-	-	40	13
Poland	-	-	-	-	-	-	-	-	32	11

rank number 1 = lowest; 53 = highest (for CFD: 22 = highest)

to parents, respect for parents, honoring of ancestors, financial support of parents". Of course, to the Chinese mind, some of the items on the IBM questionnaire, designed by Western social scientists, may have looked equally exotic.

A statistical analysis of the 22-country Chinese Value Survey (CVS) results, based on the relative importance attached in a country to each value vs. the other values, yielded again four dimensions. Twenty out of 22 countries were covered earlier in the IBM studies. Thus, we could compare the country scores on each CVS dimension to those of the IBM dimensions, one Individualism-Collectivism (most of the Chinese value being associated with the collective pole), and one to Masculinity-Femininity, this in spite of the completely different questions, different populations, different moments in time, and different mix of countries. One dimension from the IBM studies, however, is missing in the CVS data. We did not find a CVS dimension related to Uncertainty Avoidance. We earlier associated this dimension with man's search for truth; it seems to the Chinese mind, this is not an essential issue. However, we did find another quite clearly marked dimension. It is made up of the following values:

On the positive side:

- persistence (perseverance)
- ordering relationships by status and observing this order
- thrift
- having a sense of shame

On the negative side:

- personal steadiness and stability
- protecting one's "face"
- respect for tradition
- reciprocation of greetings, favours and gifts

For some countries, the values on the positive side are relatively more important; for others, those on the negative side. All of them are already found in the teachings of Confucius, dating from 500 B.C. However, the values on the positive side are more oriented toward the future (especially perseverance and thrift), those on the negative side toward the past and present. Bond has therefore called this dimension Confucian Dynamism. Country scores on Confucian Dynamism for the countries surveyed with the CVS are listed in the last column in Table 6.1, raising the total number of relevant dimensions to five. Interestingly, Individualism (both in the Hofstede and Bond study) is strongly correlated ($r=0.84$) with a country's wealth (per capita GNP), and we can prove with diachronic data that the causality goes from wealth to individualism. Confucian Dynamism is strongly correlated ($r=0.70$) with a country's

economic growth over the past 25 years (increase in per capita GNP), with a likely causality from Confucian Dynamism to economic growth.

National Cultures and International Negotiations

Negotiations, whether international or not, share some universal characteristics:

- two or more parties with (partly) conflicting interests;
- a common need for agreement because of an expected gain from such agreement;
- an initially undefined outcome;
- a means of communication between parties;
- a control and decision-making structure on either side by which either side's negotiator(s) is/are linked to his/their superiors.

However, in international negotiations, the following characteristics vary according to the national negotiation styles of either side:

- the nature of the control and decision-making structure on either side;
- reasons for trusting or distrusting the behaviour of the other side (a certain amount of trust is an indispensable ingredient for successful negotiation);
- tolerance for ambiguity during the negotiation process;
- emotional needs of negotiators, e.g. ego boosting or ego effacement.

If one knows the approximate position of a country's national cultural value system on the various cultural dimensions listed in Table 6.1, one can predict aspects of the negotiation style of its negotiators.

- (1) Larger Power Distance will lead to a more centralised control and decision-making structure (key negotiations have to be concluded by the top authority);
- (2) Collectivism will lead to a need for stable relationships, so that negotiations can be carried out among persons who have become familiar with each other over a long time (often, several years). Every replacement of one person by another is a serious disturbance of the relationship, which has to be reestablished from scratch.

In collectivist cultures, mediators or go-betweens have a more important role in negotiations than in individual cultures. Formal Harmony is very important in a collectivist setting; overt conflict is taboo. Mediators are able to raise sensitive issues with either party within an atmosphere of confidence and to avoid confrontation.

- (3) Masculinity leads to ego-boosting behaviours and sympathy for the strong on the part of negotiators and their superiors. Masculine cultures tend to resolve conflicts by fighting rather than compromising. Femininity leads to ego-effacing behaviours and sympathy for the weak. Negotiations between two masculine cultures are more difficult than if at least one of the cultures is more feminine. A historical comparison that can be cited in this respect is the difference between the solution of the Aland Island crisis between Finland and Sweden in 1921, and the Falkland Island crisis between Argentina and Great Britain in 1983; the first was resolved peacefully through a plebiscite, the second is still unresolved in spite of a bloody war. Both Finland and Sweden in our research are found on the feminine side of the scale; both Argentina and Britain on the masculine side.
- (4) Uncertainty Avoidance leads to a low tolerance for ambiguity and distrust in opponents who show unfamiliar behaviours; negotiators from uncertainty-avoiding cultures prefer highly structured, ritualistic procedures during negotiations.
- (5) Confucian Dynamism leads to perseverance for achieving desired ends even at the cost of sacrifices.

Obviously, such predictions should be checked in empirical research.

Conclusion

For success in international negotiations, it is important that parties acquire an insight into the range of cultural values they are going to meet in the negotiations. This includes an insight into their own cultural values and the extent to which these deviate from those of the other side(s). Such insight will allow them to interpret more accurately the meaning of the behaviour of the other side(s).

In addition to insight, cultural differences in international negotiations demand specific skills:

- For communicating the desired information and emotions to the other party by the spoken word, the written word, and nonverbal behaviour.
- For preparing, planning, and arranging negotiations: making an appropriate use of go-betweens, choosing places and times for meeting, setting up the proper social gatherings, etc.

It is important that cultural differences in international negotiations be recognised as a legitimate phenomenon, worthy of study, and as a liability skilled and well-trained negotiators can turn into an asset.