Introduction

Globalization has caused managers worldwide to contend with a broad variety of organizational implications. This book is aimed at executives who acknowledge that forces of globalization shape their business strategies as well as researchers investigating the effects of this influence and the ways by which it occurs. It is our purpose to show that cultural forces draw some countries together while pushing others apart in a way that is meaningful to business strategies, and especially those related to human resource management (HRM). We slowly build with the reader a complex map of country clusters that can serve as a guide and compass for investigators and executives who must navigate the challenges of the globalizing world. Based on organizational norms, values, and beliefs, our map is particularly useful for managers seeking to streamline strategic planning, management of human resources, and organizational structures.

Publications on globalization in the past 25 years or more tend to focus on processes that are unifying the world. Despite being a hot academic debate, whether the world is converging or diverging, less attention has been given, especially by practitioners, to counter-globalization forces driven by unique and idiosyncratic cultural values and norms associated with different national identities. Globalization and its counter-forces as they impact the business world are the subjects of this book. The major (and highly documented) impact of globalization on business can be seen mainly in the fields of finance, information systems, and communication. However, in the fields of management strategy and human resources, we and others have observed significant counter-forces to globalization, which stem from cultural norms associated with national identity. These counter-forces tend to be neglected because of the preoccupation and excitement generated by the talk of globalization.

The book opens by describing the roots and logic of distinguishing different nation-states by their unifying cultural norms. We review large-scale surveys that have indicated that values and cultural norms are associated with national identity and that the differences between national cultures are larger than differences within nations. In other words, pressures towards a "flat world" notwithstanding, the world remains divided by numerous fault lines, one of the most important of which is culture.

This book's mission is to understand some of the forces pushing towards homogeneity and heterogeneity in the world of business. The major

question we posed was: to what extent can different national cultures be combined into groups on the basis of cultural similarity? If, in fact, clusters of countries can be delineated on the basis of sufficiently similar norms, values, and work behavior, this could greatly benefit multinational corporations. These benefits would include strategic planning, managing human resources, and organizational structures.

In order to extract meaningful clusters of national cultures, we summarized and integrated the major large-scale surveys of employees in a variety of multinational corporations, working in various industries in different countries. These studies attempted to characterize groups of countries based on a variety of work behaviors, values, and norms. Using advanced statistical methods, we performed a meta-synthesis of the results of these surveys.

Chapter 2 of the book describes in detail the clustering methodology we employed and the dataset to which we applied it. Selecting the dataset for our study was no small task, and the specific characteristics and methodology used by each of the studies we used as input is described in detail as it bears on the final outcome of our own clustering endeavor.

The synthesized three-layered cultural map we generated as a result of integrating the input studies is the heart of our book. It is (a) a summary expression of global cultural variation, (b) an independent aggregate explained by a variety of predictor variables, and (c) a visual guide displaying variations in organizational behavior and strategy.

We present the world in three levels of country clustering, producing 11 global clusters, 15 regional clusters, and 38 local clusters, while also pointing out singletons and additional cluster information. At the same time, our integrated map also shows three rigorously drawn elements – nested (multi-level) clustering, cluster cohesiveness, and cluster adjacency – for the first time in the literature.

Having produced our clustering map, we then set out in Chapter 3 to validate the clusters by examining the extent of the correlation between these clusters and social and physical phenomena. This was done in order to understand and verify some of the major underlying forces that contribute to the cohesiveness and distinctiveness of each cluster that we established. We looked for predictors and correlates from other fields such as language, religion, geography, economic data, and democracy. Using these correlates and predictors we tested and confirmed our clustering as significant and meaningful units.

Investigating these correlates yielded deeper insights into the underlying formation of cultures. This exploration also served a secondary goal: that of future prediction for countries that did not participate in our analysis or

have not been investigated specifically in the organizational milieu. Under the hypothesis that similar scores on eco-cultural correlates reflect similar clustering propensity, it would be possible to postulate the cluster assignment of countries beyond the scope of our map.

The values and norms used in the input studies had limited strategic usefulness because they did not sufficiently describe specific work behaviors. In Chapter 4, we translated those values and norms into possible daily work behaviors by managers and employees. We divided the multitudes of possible work behaviors into three categories. The first concerns relational preferences along the continuum of individual vs. group affiliation. The second category of behaviors includes those that reflect employees' embedded positions within their society or organization. Also included here are the level of tolerance for ambiguity and preferred supervisory and leadership styles. The third category of behaviors reflects societal and organizational orientation and attitudes towards time and performance.

Finally, in Chapter 5, we characterize each cluster separately with respect to the eco-social correlates as well as the related organizational values, norms, and behaviors. To reduce unnecessary clutter, we present only dimensions that were found to be distinctively high or low. This chapter serves as a reference tool, an atlas of sorts, where information pertaining to a particular cultural region and its constituent members can be conveniently and quickly accessed and utilized. A brief discussion of implications concludes our delineation of each of the clusters, touching upon various aspects of management and organization behavior, including HRM practices or organizational norms guiding how employees should be managed.

Delineating Culture

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Introduction

In this opening chapter, we set the building blocks that will serve the reader, whether scholar or practitioner, as he or she goes about reading, reflecting, and using this book. We consider this book a scholarly treaty, a reader, a reference, a handbook, and, finally, a cultural atlas. Cognizant of these multiple roles, the first chapter lays out the definitions, rationale, and boundary domain that set the stage for the chapters that follow. This chapter serves as a template for the overall endeavor, presenting our vision of culture as a deeply embedded force whose roots and nature may be abstract but whose impact is anything but.

We begin by defining culture and explaining our focus on the nation as a unit of analysis, despite acknowledging variations based on region, organization (corporate), industry, sector, and occupation, among others. We explain why culture matters to the operation and outcome of business transactions (e.g., cross-cultural negotiations) and arrangements (e.g., mergers and acquisitions), and why its in-depth understanding is crucial to the practitioner as much as to the scholar. While focusing on management and organizational behavior, we also explain, if briefly, why culture matters across the spectrum of business functions, be they finance or marketing, for example. We then discuss the roots of culture – how it emerges, evolves, and is sustained over time. We proceed to discuss what might happen to culture and to cultural variations under globalization, briefly discerning

the countervailing forces underlying convergence (making cultures more similar) and divergence (retaining or even reinforcing cultural differences). Finally, we present cultural clustering, the focus of this book, as a solution to the varying and partial similarity across the nations of the world. This solution, like the rest of this book, applies to scholars and practitioners alike, as it reduces the close to momentous variations in the cultures of the world to manageable groupings allowing navigation of this diverse terrain.

1.1 Culture and its Boundaries: The Nation-state as a Cultural Entity

Ever since international mobility and commerce commenced, culture has been of major importance to the transacting parties. Typically seen as a hindrance, yet sometimes perceived as an asset or even as a comparative and competitive advantage, culture remains one of the most potent forces in business, impacting both process and outcome; its intangible, complex, and evolving nature notwithstanding. Indeed, the fact that a phenomenon has been defined in literally hundreds of ways attests not only to its abstraction and ambiguity but also to its importance. Culture is a powerful force. It shapes people's perceptions, dispositions, and behaviors (Triandis, 1989). It influences the very willingness to engage in business as in other life domains as well as the nature and form of such engagement and its likely success or failure.

The word culture comes from the Latin word *cultura*, which over the ages acquired multiple and diverse meanings. Biologists readily acknowledge that culture is hard to define (e.g., Kaessmann et al., 1999), and even in the narrower sense in which it is used in business and management, culture boasts literally hundreds of definitions. The American anthropologist Donald Brown (1991:130) defines culture as the "patterns of doing and thinking that are passed on and between generations by learning," whereas Gould and Grein (2009:237) view culture as "a web of significance or meaning that is formed into narrative," involving "processes of sense-making, meaning making or production." A shared way of life of a group of socially interacting people, transmitted from one generation to another via acculturation and socialization that distinguish one group's members from others (Berry & Pootinga, 2006; Hofstede & Bond, 1988), culture constitutes "the collective programming of the mind" (Hofstede, 1980a), a "shared mental software" (Hofstede, 2001).

Distinction between groups is fundamental to the concept of culture. Biologists note that humans are less diverse than other species, and culture is both a source and a manifestation of this diversity. In biology, culture

represents information that may cause variation in behavior, acquired and retained by social learning (Boyd & Richerson, 1985; Castro et al., 2004); in business and management, it is the variation of people in the work-place that is of interest. In this book, we seek to document that variation and identify its content, sources, and stability or change over time. Given the multiplicity of human groups, however, our first task is to identify the groups whose culture we seek to study and compare across; in other words, to decide our unit of analysis.

The Nation-state as the Unit of Analysis

Comparative management, as a field of inquiry, acknowledges that the cultural milieu may be broader or narrower than the borders that delineate the political and legal environments of a country. Huntington (1996) views the civilization as the fundamental cultural entity; however, most social science scholarship uses the nation-state, or "society," as the cultural delineator (Korotayev & Kazankov, 2002). From a historical standpoint, nations are political expressions of cultural similarity, such as those that defined each of the early nations of Egypt and Greece. The very existence of the state encourages cultural homogenization (Cavusgil et al., 2004; Gould & Grein, 2009; Hofstede, 1980a; House et al., 2004; Javidan et al., 2006; Peterson & Smith, 2008; Ronen & Shenkar, 1985; Tang & Koveos, 2008; Tweed et al., 1999) by language, law, education, mass media, sense of history, and identity (Conway et al., 2001; Tweed et al., 1999). Political, economic, social, and legal institutions define the nation-state as a cultural delimiter, as confirmed by neo-institutional and functional theories (Peterson & Smith, 2008).

   According to Huntington (1996:38), "successful political, security, and economic international institutions are more likely to develop within civilizations [rather] than across civilizations; going forward, conflicts between groups from different civilizations will be more frequent, more sustained and more violent than conflicts between groups in the same civilization." National institutions, which include socializing agents such as schools, families, and social agencies, interact with the cultural milieu to create unique value systems that distinguish between countries and represent societal cultures (Conway et al., 2001; Gelfand et al., 2007). In structural–functional theory, preserving and reinforcing national culture is the primary role of educational institutions (Parsons, 1975). Thus we agree with Inglehart and Baker (2000:37) that "the nation remains a key unit of shared experience and its educational and cultural institutions shape the values of almost everyone in that society." National governments also shape work-related culture via workplace laws and provide the base for multinational

enterprises' (MNEs) operation at home and abroad, inclusive of cultural content (Shenkar et al., 2008) and participation (Smith et al., 1997).

When a nation consists of two or three cultures with little overriding or uniting values, it seems unlikely to survive in the long-term. Either the nation breaks up into smaller units or, alternatively, one group imposes its culture on the rest. In nations with very diverse groups, the result has been more evolutionary, as different cultural groups unite based on superordinate values that bind these groups together, stimulating the development of national culture. Huntington (1993:23) argues that "villages, regions, ethnic groups, nationalities, religious groups, all have distinct cultures at different level of cultural heterogeneity," and that "the culture of a village in southern Italy may be different from that of a village in northern Italy"; however, he insists that "both will share in a common Italian culture that distinguishes them from German villages." Indeed, there is a broad agreement in the comparative management literature that cross-national variance in individual values is greater than within-nation variance (Hanges & Dickson, 2006). Even the handful of scholars who contend that values vary more within countries than between countries (e.g., Fischer & Schwartz, 2011) use the nation as their unit of analysis.

Support for the nation as a cultural unit also comes from organizational theories. Peterson and Smith (2008) point to the role of the *nation-state* in delineating the legitimacy of nations as implements of coercive institutional mechanisms, suggesting that from the perspective of both neo-institutional theory and functional anthropology there is reason to anticipate that the nation-state would be an important culture delimiter, a notion that is further supported by the analysis of sovereignty. There is strong evidence that when personal values are aggregated to the societal level, they predict economic growth, educational achievement, suicide rates, road death tolls, female participation in the workforce, female-to-male income ratios, and transparency/corruption, among other variables (Hofstede, 2001; Minkov, 2011; Minkov & Hofstede, 2012).

Finally, MNEs are rooted in a national culture and their strategy and operations take place in the context of national environments whose stakeholders, from governments to unions, are their bargaining counterparts for cultural contents (Shenkar et al., 2008). MNEs function in a national world and use the nation-state in their environmental analysis. Laws, taxes, tariffs, exchange rates, interest rates, credit availability, and other variables important to the MNE vary by country, while national governments set investment terms. The MNE is subservient to national sovereignty and its political whims. Italy, for instance, has seen over 60 governments since World War II with corresponding legal and regulatory changes (Lundby &

Jolton, 2010). National markets also differ in attractiveness, the result of variations in economic and commercial environments, growth rates, political stability, and consumption patterns (Cavusgil et al., 2004), and there is substantial evidence that those are correlated with culture (e.g., Hofstede, 2001). Human resource considerations also support using the nation as the unit of analysis: the corporate workforce is primarily national, and even MNEs draw most of their employees from the host country. Laws concerning wages and benefits also vary from country to country. Thus, on balance, the national unit represents the best, as well as the most pragmatic, option available for the study of culture and its impact on organizations and individuals. Minkov and Hofstede (2012)) find that when basic cultural values are compared, in-country regions tend to cluster along national lines rather than scatter and intermix with the regions of other countries in the same cultural or geographic area. This is true even in the case of nations constituted relatively late, e.g., Malaysia and Indonesia, which share an official language (Malay-Indonesian), a dominant religion (Islam), a long history of rice cultivation, and a national border (maritime in this case).

Limitations in Using the Nation as the Unit of Analysis

Evidently, there are also drawbacks to the use of the nation-state as the focal unit. Since cultures are rarely in perfect congruence with their countries of incumbency, the use of the country as a unit of analysis blocks full representation of cultural uniqueness (Berry, 1969), underplaying within-nation variation and subcultures within nations (Peterson & Smith, 2008). Indeed, studies at the individual level show significant within-nation variance, and many nations have regional, ethnic, or other subcultures (Minkov & Hofstede, 2012). Subcultures, the result of sometimes arbitrary drawing of national borders and immigrants who preserve their culture of origin while adapting to a new culture (Berry, 2003; Huynh et al., 2009; van de Vijver & Phalet, 2004), are masked, a problem especially acute in multiple-nationality countries such as Belgium, Canada, and Switzerland, but also a challenge in diverse countries such as the United States. Huntington (1993:42) held that "people differentiate themselves by civilizations," and therefore predicted that "countries with large numbers of people of different civilizations such as the Soviet Union and Yugoslavia are candidates for dismemberment," as indeed happened. Similarly, he asserted that "torn countries," e.g., Turkey, may try – not always successfully – to redefine their identity.

Studying the effects of national culture requires a meaningful degree of within-country commonality and between-country differences (Dawar & Parker, 1994). A question raised by Peterson and Smith (2008) is whether

it is useful to understand cultures in terms of nations, regional subcultures within nations, or clusters of nations representing distinct civilizations. The evidence is inconclusive. Hofstede (1980a, 2001) found, for example, that, despite sharing a language, Flemish Belgium and the Netherlands scored differently on his dimensions and were consequently distinguishable, whereas the German-speaking regions of Switzerland were more similar to Germany than to Switzerland's French-speaking region. A study of school teachers and university students by Schwartz (1994) showed that when countries and in-country regions were ranked on cultural value dimensions, Shanghai in northeastern China and Guangzhou in southern China were farther apart on their aggregate scores on some value groups than the United States and Japan; on other values, the gap between the two Chinese cities was greater than between Hungary and New Zealand, or Brazil and Turkey. Peterson et al. (2006) and Peterson and Fanimokun (2008) found that geographically localized Nigerian ethnic groups diverged on some World Values Survey (WVS) measures but not on others. Dheer et al. (2015) identified significant cultural differences across India's geographic regions. Lenartowicz et al. (2003) reported value differences between national regions in Latin America and similarities across national boundaries. However, Hofstede et al. (2010a) found that despite differences between Brazilian states there was clear evidence of a common Brazilian national culture and the states were much more similar to each other than to other Latin American countries.

In addition to regional and other cultural fault lines within nations, scholarship recognizes cultural variations along industry, sector (e.g., state-owned vs. publicly traded), occupation, and, in particular, corporate lines (Kraut & Ronen, 1975). Some studies adapted national culture measures for organizations (Kirkman et al., 2006; Sivakumar & Nakata, 2001), an approach criticized by Hofstede and his associates (Hofstede et al., 1990:312–313) who argue that "organizational culture differences are composed of other elements than those that make up national culture difference" and that "national cultures and organizational cultures are phenomena of different order: using the term 'cultures' for both is, in fact, somewhat misleading" (see also Javidan et al., 2006:904). Regardless, the consensus is that corporate culture can attenuate but not eliminate the influence of national culture (Newman & Nollen, 1996) and that organizational culture does not erase national culture but can soften it (Adler, 2008; Newman & Nollen, 1996; Pearce & Osmond, 1999). As Weber et al. (1996) and Erez and Gati (2004) show, organizational culture is nested within national culture, so even if we accept that a strong corporate culture rests on homogeneity in member perceptions (Schneider et al., 2002), such homogeneity may be biased in the direction of the national home culture.

Most importantly, corporate practices incongruent with national culture are unlikely to yield high performance (Denison & Mishra, 1995; Earley, 1994; Erez & Earley, 1993; Leung et al., 2005; Newman & Nollen, 1996).

The Nation and the Individual

To compare the cultural values of countries, scholars use mean responses of individual members; thus they assume that social culture can be discerned by probing the minds of its individual members. We accept this premise, as we view societal culture as the latent, normative value system, external to the individual, which underlies and justifies the functioning of societal institutions (Schwartz, 2009a, b, 2011). This hypothetical construct is not a psychological variable; it cannot be observed directly but can be inferred from its manifestations. The normative value system influences the minds of individuals but is not situated in their minds; it is an aspect of the context in which people live. Finally, societal culture underlies and is expressed in the functioning of societal institutions, in their organizations, practices, and policies. This value-based approach to culture has been pitched at the national level.

Notwithstanding, both Schwartz (1992) and Bond (1988) provide value-based approaches to cultural differences pitched at the individual level; that is, the domains or dimensions along which people from different nations may be compared were derived by analyzing the data in ways that adduce individual-level constructs, thereby enabling researchers to compare people rather than nations (Leung & Bond, 1989). Within a country, some people can be, for instance, more individualistic or collectivistic,[1] on average, than people from another country (Cocroft & Ting-Toomey, 1994; Gabrielidis et al., 1997; Oyserman, 1993; Oyserman et al., 2002). The cultural attribution error "involves establishment of stereotypes based on nationality, and the assumption that all members of a particular nation will behave in accordance with that stereotype" (Leung et al., 2001a, b, 2005:369). Also, some variables at the individual level would be bipolar, such as individualism–collectivism, rather than unipolar constructs (Kirkman et al., 2006; Oyserman et al., 2000; Triandis, 2004). Finally, Bond (1988) reanalyzed the Chinese Culture Connection's (CCC) data bank at the individual level (Smith et al., 1996a), while Schwartz (1994) further analyzed his data at the cultural level in an effort to identify a 'derived-etic' dimension of cultural variation.

[1] These and other terms pertaining to the dimensions of culture are defined and explained in Chapter 4.