



## UNIT 1

# THE IMPACT OF CULTURE ON GLOBAL BUSINESS

### Objectives:

1. Define the term *culture*.
2. Explain the different cultural models: *Iceberg* and *Onion* models of culture
3. List the most important **subcultures**
4. Define and explain the concept of *cultural intelligence (CQ)*
5. Understand the impact of *cultural intelligence* on global business



### Definition of *culture*

In nowadays business environment it is absolutely mandatory that we put the concept of culture in direct contact with the idea of leadership, because tomorrow's leaders have to be masters not only in what intelligence or emotional intelligence mean, but they also need to be equipped with cultural intelligence.

Cultural intelligence offers the ability to successfully operate across geographical and cultural boundaries, enhancing the set of skills needed in an efficient business world.

The starting point of any study related to cultural intelligence should be the proper definition of *culture*. In this respect, from the wide range of materials available in the specialized literature, we have considered three of the most important definitions, whose authors, mainly anthropologists and sociologists, played an important role in shaping mentalities, raising awareness about the importance of the term, and helping develop a better understanding of the importance of cultural differences in the business environment.

Edward Hall is the author of the famous *Iceberg model of culture*, which will be explained in the next pages, Geert Hofstede is the Dutch sociologist who realized the importance of *cultural dimensions* in the business world, while Edgar Schein is the American management professor who realized that *culture* is like an onion with three layers, thus creating the *Onion model of culture*.

1. "Culture can be likened to a giant, extraordinary complex, subtle computer. Its programs guide the actions and responses of human beings in every walk of life. (...) The essence of effective cross-cultural communication has more to do with releasing the right responses than with sending the right messages". (Hall & Hall, 1990: 4)
2. "[Culture] is the collective programming of the mind which distinguishes the members of one group or category of people from another" (Hofstede, 1994: 5)
3. "A better way to think about culture is to realize that it exists at several *levels*, and that we must understand and manage the deeper levels. (Schein, 2010: 21)

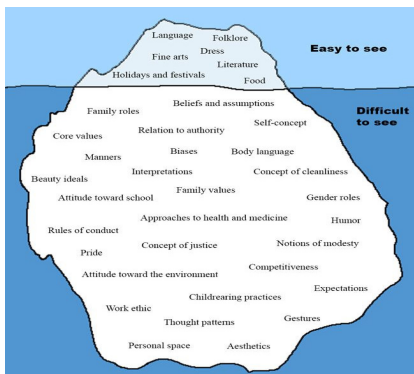
From the above given definitions of culture, we realize that *culture* is a way of doing things, sometimes as we are programmed, sometimes as the context dictates to us, some other times as the environment or the people around us suggest us to do. But it is mainly related to ideas, beliefs, customs and traditions.

### ***The Iceberg Analogy of Culture***

In 1976, Edward T. Hall, an American anthropologist, in his book *Beyond Culture*, developed the *iceberg analogy of culture*, which gives us a better understanding of what culture is, or more specifically of the fact that culture means more than what we see.

In his theory he compares culture with an iceberg, whose visible part, which is above the sea level, is smaller and less important than the invisible part, which is under the sea level, and which he calls the invisible culture.

Above the sea level he includes elements such as: language, dressing code, folklore, rituals, customs and traditions, etc., in other words all the elements that we see at a first glimpse, when we get in contact with a new culture, while under the sea level we have the important aspects, such as beliefs, values, unconscious feelings, biases, etc., as can be seen in the image below.

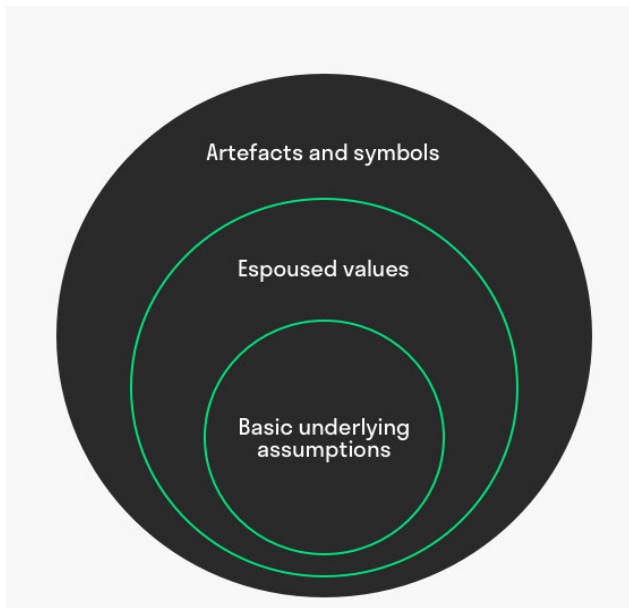


**Figure 1. The Iceberg Model of Culture**

We cannot say that the invisible aspects are more important than the visible ones, on the contrary, they are equally important. However, an understanding of their role in shaping regional culture can help us gain a set of skills so that we can cope easier with cultural differences.

### ***The Onion Model of Culture***

Edgar Schein, in the 1980s, developed the organizational culture model, also known as the onion model of culture.



**Figure 2. The Onion Model of Culture**

As can be seen in the picture above, this cultural model has three layers:

1. ***Artifacts and symbols*** which represent the external layer, that we face when we get in contact for the first time with a new culture. For example, when we travel to London, we

immediately see that cars or trains travel on the “other” side, which is the opposite from the one we are accustomed to. Foreigners arriving in India will be immediately shocked at the style of dressing, in the street. The same is similar when coping with a company culture that is completely different from the one you were used to: companies have artifacts such as: logos, company style, dressing style, etc. “The most important point to be made about this level of culture is that it is both easy to observe and very difficult to decipher”. (Schein, 2010: 24)

2. ***Espoused values and beliefs*** represent the second layer of the model. As Nunez, Nunez and Popma suggest in their book, they are “written and unwritten standards of correct, desired behavior. (...) Norms and values are not as visible as artifacts. It takes some time to notice, let alone learn them. But with the necessary effort and observation they can be learned”. (Nunez, Nunez, Popma, 2017: 14)
3. The most important layer of the onion is made up of the ***basic underlying assumptions***, which in our culture are assimilated to the so called *7 years from home*. Schein enumerates in this category the “unconscious, taken for granted beliefs, perceptions, thoughts and feelings (ultimate source of values and actions)”. (Schein, 2009: 21)

### ***Subcultures***

Culture is more than a concept, it is a mode in which we are able to solve problems, as Fons Trompenaars suggests, but culture is visible at all levels: at family level, school level, group of individuals level, adult level, business level, corporate culture level, etc. “It is even found at the level of the whole industry because of the shared occupational backgrounds of the people industry wide”. (Schein, 2009: 19)

It is extremely difficult to make a list of all subcultures or how they impact society. They are sociological phenomena, changing in time according to the overall changes of mentality in a society, behaving as milestones or starting points.

There are different possibilities of presenting subcultures, but for the present study we will base our list on Nunez, Nunez and Popma's study. Thus, we can talk about:

- Geographical subcultures: continental subcultures (European, Asian, North American, South American, subcultures); country subculture (Japanese, Romanian, French, etc.); regional subcultures (Scandinavian, Bavarian, Moldavian, Transylvanian, etc.)
- Religious subcultures: Catholic, Orthodox, Jewish, Islamic, etc.
- Urban vs. rural subculture
- Gender
- Age: elderly, middle aged, generation Y, X, millennials, etc.
- Professional subculture: doctors, professors, economists, IT specialists, military, police forces, etc.
- Social status: middle class vs. rich people, for example.
- Corporate subculture: IBM vs. Oracle subculture, Vodafone vs. Orange subculture, ASE vs. RAU, etc.

Why are these elements important? Edward T. Hall suggests that they can help us learn the internal culture of other people and this is particularly true in our global society where working in multicultural teams, or with co-workers belonging to a different subculture from ours, is an absolutely normal fact. If we want to be efficient and proficient at the same time, we have to master the skills of cultural intelligence.