How cultural differences affect business operations

Pause for a moment and imagine yourself traveling upcountry to your family’s home. As you get into the area, picture yourself keeping your eyes shut.

What aspects of your surroundings would signal that you have reached your home? Maybe physical attributes of the surrounding geography would remind you. However, keep focused on the cultural cues. What is it about your culture makes your home area unique?

Culture comprises who we are as a people. We surely retain a unique Kenyan culture.

Even deeper, each village and street holds its own cultural aspects as well. Kenya’s different cultures keep different values, beliefs, and opinions about the world. The cultural values then impact what might be expected behaviour of members of that culture.

As an example, Saudi Arabia citizens might be more tolerant of polygamy than citizens of Denmark. The expected behavioural norms impact actual behaviour.

Behaviour affects not just personal interactions but also business actions and business decisions. How should entrepreneurs assess cultural values in new regions so as to expand their businesses?

The best known researcher in the field of cultural thinking and values involves Dutch intellectual Dr Geert Hofstede.

In 1973, he concluded a landmark study investigating national culture differences based on four dimensions. Later researchers added two additional dimensions.

First, a culture may view life and others individualistically or collectively. Global commentators often lump all of Africa into the collectivist category without fully appreciating our diversity and how our more collectivist tendencies differ from East Asian collectivism.

But in East Africa, how Pokots prefer collectivism differs from Meru collectivism which certainly differs from Yoruba collectivism in Nigeria.

A society that prefers to take care of themselves primarily and their immediate family only and live within loosely-knit social frameworks refers to individualistic societies.
On the flip side of the coin, collectivism societies desire closely intertwined group thinking and group care for each other with unflinching loyalty to each other. So in Kenya, we prefer collectivist thinking nationally, but more individualistic in Nairobi.

While interesting for intellectual stimulation, how does such knowledge impact your business? If you want to expand manufacturing operations into a new country, then how would individualism versus collectivism affect your business-decisions?

If an executive desired to move her manufacturing operations to Cameroon, then she would likely tailor his compensation schemes around collectivist principles for group-based reward incentives rather than individualistic as if the operations took place in Europe.

Further, Cameroonians might prefer expanded health care insurance to cover extended family members rather than higher bonuses as a tradeoff because of their collectivist nature.

Second, a culture handles power distance differently. How acceptable do less fortunate citizens in a culture find it that power in society is distributed unequally? Does the society widely tolerate inequalities among people?

A culture with large power distance actually accepts hierarchical order where everyone has a place in society and that reality need not disturb the citizens to demand justification.

On the other hand, if a society demands to equalise the distribution of power and clamors for justification for inequality, then the culture possess low power distance.

So if a company strives to expand into Kazakhstan, then ascertaining that nation’s power distance proves vital.

In Kazakhstan, a Kenyan pay his country director 50 times the salary of the lowest-level employee? If Kazakhs live apathetically about power distance, then managers could pay employees very differently.

If, on the other hand, such a pay difference would arise in Norway, employees would likely not tolerate such differences and, therefore, companies must change their financial projections accordingly.

Further, if a CEO researches Kazakhstan and realises that the World Bank ranks the country’s Gini Coefficient as high, a quantitative picture of inequality, and the people in interviews do not tolerate power distance, then the executive must remain concerned about possible political unrest that President Nazarbayev may face Arab spring-style uprisings.

Therefore, the CEO may choose to invest elsewhere or reduce his existing holdings.

Third, a nation’s ability to deal with uncertainty should feature highly in business expansion decisions. Uncertainty avoidance often shocks Africans when they travel to the United States or China. Such societies strive to eliminate any uncertainty in their culture.

Uncertainty avoidance expresses the extent to which members of the society handles the fact that the future can never be known. So, should the society take measures to try and control the future or just let the future unfold as it happens.

Societies that tolerate uncertainty operate more relaxed attitudes about principles and laws. Cultures that desire to forecast the future end up developing rigid codes of belief and behaviour and do not tolerate uncommon ideas.

In Kenya, we tolerate uncertainty remarkably well. In the lead-up to the March 4, 2013 elections, business transactions decreased, but did not fall off completely.

If such an uncertain election with uncertain possible outcomes took place in East Asia or Europe, gross domestic product growth would likely have ground to a halt nearly a year before the elections over fear for what may occur.

Consumers would have stopped spending and started saving more in preparation. However, in Kenya, we robustly moved into the election season with relatively less fear than other societies might have done.

Inasmuch, investors looking at investment in Kenya should consider our tolerance for uncertainty and the strength it brings to our continued economic growth.

Likewise, Kenyan firms growing outside our borders must investigate uncertainty avoidance in a culture as a gauge for how consumers may react in crises or whether rules in the new country might become too stringent to functionally accomplish business.

Fourth, a nation’s obsession with short-term or long-term orientation would impact how a CEO would compensate employees with long-term schemes or incent clients with short or long-term benefits.

Fifth, how much a society indulges itself on instant gratification might reflect on sales techniques and methods in a new country. Sixth and finally, the masculinity orientation of a culture determines how assertive citizens in the country portray themselves.

Russia versus Ireland would yield stark contrasts. Masculinity orientation would determine how to manage employees in a new nation.
In summary, ask questions. Understand culture. Business does not revolve solely around financial projections and prospective demand.

Take steps to expand your business with vigorous planning of possible outcomes and long-term strategies to engage your new workforce and tantalise new clients.

Assessing culture provides you competitive advantages over your competitors.

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