

## Background Information:

**Note:** This case, along with the companies and people involved, is real. The case is documented in He and Liu's (2010) article, "Barriers of Cross Cultural Communication in Multinational Firms". Company X is a famous Swedish manufacturing company which now owns several subsidiary companies around the world, including one in China. Operating out of Shanghai, the Chinese subsidiary was actually a well-known company with a 70-year history and a good reputation before merging with Company X over twelve years ago. Much more so than with their subsidiaries located elsewhere in the world, Swedish managers note major cultural conflicts amongst teams involving the Chinese subsidiary. This study documented how the following cultural differences all contributed to misunderstandings between Swedish and Chinese team members:

1. Management styles—the Swedish parent company uses teams to solve problems, and people cooperate in a flat organizational structure that is much less hierarchical than their Chinese counterpart, which depends more on bureaucratic reporting and decision-making.
2. Communication systems—communication is more bound by routine in the Chinese company, both in the sense of the route that information follows (up the chain, so to speak) and who can initiate contact (usually top-down).
3. Staff behaviors—employees on the Swedish side tend to be more assertive and direct, while the Chinese often prioritize saving face and preserving harmony over being honest or efficient, especially when interacting with someone in authority.

Here are the stories (creative narratives based on the interview data in this study) of Jie and Sven:

<p><b>Jie:</b> Sven doesn't listen very well. He gives me very strict standards on special orders that he knows are impossible for us to meet because of the way things work here in China. I try to tell him that we can't fulfill his requirements by asking questions and suggesting other options, or even by not responding to his demands, but I don't want to make our company look bad for the Swedes by saying that we will fail. He does not get my hints, though. Then he blames me when deadlines are not met or products are not as expected.</p> <p>Another frustrating thing is that Sven can't seem to make up his mind about who is in charge on our team, even though the Swedes are the parent company. Awhile back when I had a problem I sent him an email respectfully asking him to make a decision. I could tell he was really annoyed about that but I don't know why. He is very hard to please and easy to offend.</p>	<p><b>Sven:</b> Jie is kind of hard to work with. Often, after we brainstorm options together she will come to agree with me – at least I think at the time. But later, I realize that once again she has made promises she can't deliver on. Now I feel like I can't trust anything she says. She has made our team look bad too many times with her mistakes.</p> <p>Here is another example of her incompetence... I was going to China to look at a model of a newly designed product. The day before I left, she emailed me that there was a 1mm error in the product and asked what to do about it. It was so frustrating – why couldn't she just fix the problem and present me with the corrected model? Can't she take the initiative to do anything on her own? Does she have to wait for orders to do every little thing?</p>
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## Hofstede's Six Dimensions of Culture:

Psychologist Dr. Geert Hofstede published his cultural dimensions model at the end of the 1970s, based on a decade of research. Since then, it became an internationally recognized standard for understanding cultural differences. Hofstede studied people who worked for IBM in more than 50 countries. Initially, he identified four dimensions that could distinguish one culture from another. Later, he added fifth and sixth dimensions, in cooperation with Drs. Michael H. Bond and Michael Minkov. These are:

1. Power Distance Index (high versus low).
2. Individualism Versus Collectivism.
3. Masculinity Versus Femininity.
4. Uncertainty Avoidance Index (high versus low).
5. Pragmatic Versus Normative.
6. Indulgence Versus Restraint.

Hofstede, Bond and Minkov scored each country on a scale of 0 to 100 for each dimension. When Hofstede analyzed his database of culture statistics, he found clear patterns of similarity and difference along the four dimensions. And, because his research focused solely on IBM employees, he could attribute those patterns to national differences, and minimize the impact of company culture.

**Tip:** By its nature, a theory like this only describes a central tendency in society. Different organizations, teams, personalities, and environments vary widely, so make sure that you're familiar with cultural leadership, intelligence and etiquette, and do extensive research into the country you'll be working in. Let's look at the six dimensions in more detail.

### Power Distance Index (PDI):

This refers to the degree of inequality that exists – and is accepted – between people with and without power. A high PDI score indicates that a society accepts an unequal, hierarchical distribution of power, and that people understand "their place" in the system. A low PDI score means that power is shared and is widely dispersed, and that society members do not accept situations where power is distributed unequally.

**Application:** According to the model, in a high PDI country, such as Malaysia (100), team members will not initiate any action, and they like to be guided and directed to complete a task. If a manager doesn't take charge, they may think that the task isn't important.

PDI	Characteristics	Tips
High PDI	<ul style="list-style-type: none"> <li>• Centralized organizations</li> <li>• More complex hierarchies</li> <li>• Large gaps in compensation, authority, and respect</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledge a leader's status. As an outsider, you may try to circumvent his or her power, but don't push back explicitly</li> <li>• Be aware that you may need to go to the top for answers.</li> </ul>

Low PDI	<ul style="list-style-type: none"> <li>• Flatter organizations</li> <li>• Supervisors and employees are considered almost as equals</li> </ul>	<ul style="list-style-type: none"> <li>• Delegate as much as possible</li> <li>• Ideally, involve all those in decision-making who will be directly affected by the decision.</li> </ul>
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### Comparison of Power Distance Index for China and Sweden:

This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us. Power Distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.

At 80 China sits in the higher rankings of PDI – i.e. a society that believes that inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and there is no defense against power abuse by superiors. Individuals are influenced by formal authority and sanctions and are in general optimistic about people’s capacity for leadership and initiative. People should not have aspirations beyond their rank.

Sweden scores low on this dimension (score of 31) which means that the following characterizes the Swedish style: Being independent, hierarchy for convenience only, equal rights, superiors accessible, coaching leader, management facilitates and empowers. Power is decentralized and managers count on the experience of their team members. Employees expect to be consulted. Control is disliked and attitude towards managers are informal and on first name basis. Communication is direct and participative.

