

## **HOFSTEDE'S CULTURAL DIMENSIONS THEORY IN INTERNATIONAL BUSINESS**

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The distance of power demonstrates the assessment of the degree of inequality between members of society as acceptable by its less influential members. It is measured by the power distance index. It demonstrates the degree of hierarchical distancing or differentiation of people. In societies with a high degree of power, there is tolerance for authoritarian style of governance, respect for people of higher rank, inequality in status in both formal and informal relationships, belief in the justice of a "strong hand", a large gap in pay for employees. In cultures with a high distance of power, a strong dependence is established between superiors and subordinates. Only in rare cases can employees afford to ask their boss a question, let alone criticize him. In cultures with a low distance of power, the greatest importance is given to such values as equality of relations and individual freedom. Therefore, communication here is less formal, the equality of interlocutors is emphasized more strongly, and the style of communication is more consultative. In cultures with a low distance of power, the emotional distance between managers and subordinates is negligible.

Open disagreement or contradiction to the boss is considered the norm. From the point of view of individual organizations, a low level of power distance is characteristic of a decentralized structure, with a small number of controllers, using highly skilled workers. It is obvious that the attitude to power inherent in the culture of doing business in a country has important consequences for international companies that intend to conduct business in this country. For example, when embarking on a new project, tolerant Americans first identify the tasks to be performed and then assemble a team of professionals to work on the project. Conversely, Indonesians who respect the government first determine who will be responsible for the implementation of the project, and then evaluate the implementation of this project under the guidance of this leader. Different cultural attitudes towards the authorities can lead to mistakes made in the process of forming business contacts with partners. For example, in negotiations between two companies, a party representing a country with a tolerant attitude to the authorities often sends a team of experts on various issues, regardless of their rank or age.

However, the inclusion of junior employees in such a team, no matter how good they may be, can be perceived as an insult to managers who belong to a culture characterized by respect for power. These managers expect that they will deal with officials. In addition, the use of informal business communication by American company executives can be seen by managers who share respect for power as an offensive attempt to discredit their authority.

The most important differences in international business are between societies with low and high power indices. The second indicator of the assessment of values in society is

the ratio of individualism and collectivism. G. Hofstede defines that individualism on the one hand, in comparison with its opposite - collectivism, as a social rather than an individual characteristic, is the degree to which people in society are united in groups. On the individualistic side, there are cultures in which relationships between people are free: everyone takes care of themselves and the closest people in the family. On the collectivist side, there are cultures in which people are integrated from birth into tightly knit groups, often extended families. As for business, in societies prone to individualism, members of society make their own decisions about business, guided by their interests and the interests of their families, bear all the risks of their activities. In such societies, there is a big difference between professional activities and personal life. In societies with a predominance of individualistic characteristics, there are no close ties between employees, and the achievements of the individual are valued more. One person's opinion is independent of other people's opinion, workers openly criticize their colleagues, promotion is only about personal characteristics, and management is focused on the individual, not the group. Management is trying to reconcile individual goals for the organization. Such societies have the following characteristics: - high standard of living and a high share of the middle class; - rights and laws are the same for everyone; - limited role of the state in the economic system; - the purpose of society is the self-expression of each of its members. Most countries belong to a culture that is prone to collectivism. In the traditions of these countries to cultivate respect for certain groups or social clans to which they belong. In such societies, decisions are made collectively, each member of the group is accountable to all members. Relationships between employees are closer, collective interest, corporate spirit and morale prevail. There is no significant difference between professional and private lives. Risks are taken by all members of the groups. Rules of conduct depend on belonging to a group. In such countries there is a significant influence of the state on economic life. International companies must be well aware of the social orientation of the countries with which they do business. In many cases, family is not approved in individualistic cultures, but is widely used in the process of staffing in cultures with a high level of collectivism.

In countries such as the United States, where individualism is the cultural norm, many workers believe that the reward for their work should be commensurate with their personal accomplishments. They determine the fairness of any remuneration system in terms of its compliance with this requirement. Therefore, American companies spend a lot of time and resources on assessing employee productivity to bring the amount of remuneration in line with the level of employee productivity. Japanese culture is characterized by a focus on the group principle of organization of public life, so the methods of remuneration that prevail in this country are significantly different from the system of payment adopted in America. In most Japanese corporations, an employee's pay depends on what group he or she belongs to, not on his or her personal accomplishments. The remuneration received by the members of each corporate group reflects the length of service of the employee. The third indicator by which countries can be divided is the influence of men's and women's power on the formation of cultural values. G. Hofstede notes that masculinity, in comparison with its opposite - femininity, as a social rather than

an individual trait, concerns the distribution of values between men and women. Society as a whole is more competitive. Men occupy a dominant position in society and power structures. A woman in a political career is a rarity. Society is more consensus-oriented. G. Hofstede emphasizes that these characteristics are not about people, but about the expected emotional role of men and women. Conflicts in "women's" cultures are tried to be resolved through negotiation and compromise, while in masculine cultures conflicts are resolved in free struggle, on the principle of "let the best win." In work here the result is more appreciated. In the business context, cultures prone to masculinity or femininity are sometimes also called "hard" and "gentle" cultures. Victory is important for both sexes. In women's society, competition is not so openly supported, there is compassion.

These cultural attitudes have a diverse impact on international business practices. One study found that the decisions made by Danish leaders belong to women's culture. The fourth indicator that characterizes cultural values is the desire to prevent uncertainty and avoid it. The Uncertainty Prevention Index determines the extent to which people try to avoid situations that cause anxiety, uncertainty. It determines the degree of deviation from uncertain contingencies, the degree of maladaptation of employees to changing market environment factors. In cultures with a high level of avoidance of uncertainty in a situation of uncertainty, the individual experiences stress and fear. Therefore, in cultures with a high degree of uncertainty avoidance, there is a high level of aggression. This is manifested in the existence of numerous formalized rules governing actions that allow people to avoid uncertainty in behavior. For example, in societies with a high level of uncertainty, organizations create particularly detailed laws or informal rules that establish the rights and responsibilities of the employer and employees. In addition, there are many internal rules and instructions that define the daily routine. A clear structure is created in which people try to avoid accidents as much as possible. In such cultures, constant haste is normal, and people are not inclined to accept rapid change and hinder possible innovation. In contrast to such societies, there are societies where there is a weaker desire to prevent uncertainty, people behave more calmly and tolerantly. In cultures with a low level of uncertainty avoidance, people are more at risk in unfamiliar conditions and are characterized by lower levels of stress in unknown situations. In these societies, framework arrangements and adjustments in the course of the case are preferred to detailed contracts. Attitudes toward uncertainty affect many aspects of managing international companies. For example, companies operating in countries with a high level of uncertainty rejection tend to have a rigid hierarchical governance structure and detailed business rules and procedures.

Conversely, cultures with a high level of uncertainty acceptance are more tolerant of a flexible governance structure as well as flexible business rules and procedures. Risky decision-making ("whoever doesn't take risks doesn't drink champagne") is highly valued in cultures with a high level of uncertainty, such as the culture of doing business in the United States and Hong Kong. At the same time, maintaining the company's status and reputation through conservative risk-free business strategies is typical of countries with a high level of uncertainty rejection, such as Spain, Belgium and Argentina. Not surprisingly, cultures that are prone to uncertainty are more suited to doing business in a

booming e-commerce environment than cultures that are characterized by rejection of uncertainty. Let us summarize the differences between societies with low and high levels of uncertainty prevention related to international business. G. Hofstede is not limited to these measurements. He argues that there may be more because they are imaginary: “Any study will show its own model, and other dimensions can be found

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