Cultural Impact on National Competitiveness

Hwy- Chang Moon
Eun-Kyong Choi

Culture has become an essential factor in understanding different economic and business environments. The influence culture has on people and society has been studied, defined and categorized by scholars through various models. The framework of five cultural dimensions developed by Hofstede is the most popular cultural model, but problems still exist regarding its accuracy. In this paper, the five dimensions have been revised into three dimensions – Individualism, Uncertainty Avoidance, and Openness – and have been applied in an empirical study with a country-based perspective. Through this new cultural model, companies and governments can get a better understanding of culture and its relationship to national competitiveness and the business environment.

1. INTRODUCTION

Culture reflects the history of a nation and the characteristics of its people, influencing diverse aspects of the society. But for decades, people have considered culture to be an independent variable, apart from other social fields. In other words, culture has been considered as an element of history that has been passed on from generation to generation and was viewed mostly from an anthropological or sociological perspective. Recently, however, scholars have come forth with various cultural models, showing how cultural differences affect national and business competitiveness. Before focusing on the cultural models, the concept of culture must be taken into consideration. By understanding what the nature of culture is, people can acknowledge, understand, and accept the cultural differences that exist around the world.

The aim of this study is to bring forth a new cultural framework that will fit today’s business world. Though several models have already been established, none can satisfactorily explain the fundamental differences in culture between nations. In this study, some important models of culture will be shown, along with their variables, demonstrating how they overlap and interrelate in concept and characteristics. A new framework of culture will then be introduced based on a revision of Hofstede’s five dimensions (1997). An empirical study on 60 countries has been made to show where each country is positioned along each dimension.

2. THE CONCEPT OF CULTURE

Culture is everywhere around us. It influences the minds and behavior of the people and brings forth different traits in different groups and nations. Therefore, understanding the nature of culture and its characteristics is very important to international business. Before going into a detailed analysis of the aspects of culture, the concept of culture must first be discussed. Culture has been defined and interpreted in many ways, employing broad and detailed concepts. For example, culture is described as “a mold in which we are cast, and it
controls our daily lives in many unsuspected ways ... the part of man’s behavior which he takes for granted – the part he doesn’t think about, since he assumes it is universal or regards it as idiosyncratic (Hall 1970).”

Instead of seeing culture as an invisible factor over which we have no control and can “take for granted,” however, culture can also be defined as “the way in which a group of people solves problems and reconciles dilemmas. Culture is the outcome of the shared experiences arising from an organization’s attempts to resolve fundamental problems of adapting to the external world and achieving internal integration and consistency (Schein 1998).” Culture is also “an active, living phenomenon through which people create and recreate their worlds (Morgan 1996).” So, culture is learned, not innate (Keegan and Green 1997). The most widely used concept of culture has been introduced by Geert Hofstede who defined culture as “the collective programming of the mind which distinguishes the members of one group or category of people from another (Hofstede 1997).”

However, to understand culture correctly, one must first understand the nature of cultural characteristics within a country. Some are visual while others are not. Language, traditions, and customs can be seen and heard, while values, norms, perceptions and beliefs are invisible.

3. CULTURAL LAYERS

Culture has been conceptually divided into several layers to distinguish the visible and invisible aspects. Hofstede (1997) explained culture through the “onion diagram,” defining the layers as symbols, heroes, and rituals, with the core as values. He grouped the first three layers into the category of practices, as they are observable from the outside but can only be conceptually interpreted from the inside. The inner core, values, is characterized by the preference of one thing over another, and is distinguished by norms.

Both Schein (1998) and Trompenaars (1998), on the other hand, have divided culture into three components. Schein (1998) defined the levels of culture as artifacts (visible organizational structures and processes); espoused values (strategies, goals, philosophies); and basic underlying assumptions (unconscious, taken-for-granted beliefs, perceptions, thoughts, and feelings). Like Hofstede, Trompenaars (1998) compared culture with an onion, but divided it into three layers. In this paper, however, the onion has been replaced with an apple, since an onion has layer after layer without an actual core but an apple can be accurately divided into three parts – the skin, the apple itself, and then the core with the seeds.

According to Trompenaars, the outer layer, the skin or surface of the culture, is what most people primarily confront. People usually have access only to the visual reality, which consists of language, behavior, food, and so on. The middle layer consists of the norms (right or wrong) and the values (good or bad) of a community. Norms are external factors, which are used for control and are imposed on the members of a society. Values, on the other hand, have no means of enforcement upon others. In this sense, values are more internal than norms. Both norms and values influence the outer areas of culture but are invisible. The innermost layer, the core of the culture, is the key to understanding the culture. This layer consists of basic assumptions, which can be measured by the cultural dimensions. Trompenaars (1998) put forth an explicit description of these cultural dimensions, which invisibly affect the people within a country.
4. COMPARISON OF THE EXISTING CULTURAL THEORIES

Perlmutter (1969) first presented variables that focused on the primary attitudes among international executives, allowing an understanding of how cultural aspects affect the success and failure of a multinational corporation. The EPG Profile consists of three variables - ethnocentricity (home-country orientation), polycentricity (host-country orientation), and geocentricity (world-orientation). There are advantages and disadvantages accruing to each perspective but in the long-run, according to Perlmutter, geocentrism is the ideal type of attitude that executives should have for growth and success (refer to Table 1).

Trompenaars (1998), on the other hand, presents seven fundamental dimensions of culture - universalism vs. particularism; individualism vs. collectivism; neutral vs. affective; specific vs. diffuse; achievement vs. ascription; time (sequential vs. synchronous); and environment (internal vs. external control). These variables influence the way people live and work in different environments (refer to Table 2). Hall (1990) also introduced an interesting cultural model in which he defined culture in the contexts of time and space into three categories – high-low context; time orientation; and interpersonal space (refer to Table 3).

<table>
<thead>
<tr>
<th>Table 1. Perlmutter’s EPG Model</th>
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<tbody>
<tr>
<td><strong>Cost</strong></td>
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<tr>
<td><strong>Ethnocentrism</strong></td>
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<td></td>
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<tr>
<td><strong>Polycentrism</strong></td>
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<tr>
<td><strong>Geocentrism</strong></td>
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Table 2. Trompenaars’ Seven Dimensions of Culture

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Concept</th>
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<tbody>
<tr>
<td>Universalism vs. Particularism</td>
<td>whether a culture is based on rules and standards or relationship and trust.</td>
</tr>
<tr>
<td>Individualism vs. Collectivism</td>
<td>whether a culture focuses more on the group or individual.</td>
</tr>
<tr>
<td>Neutral vs. Affective</td>
<td>whether the person within a culture expresses one’s emotion openly or not.</td>
</tr>
<tr>
<td>Specific vs. Diffuse</td>
<td>whether the public and private life are closely linked or not.</td>
</tr>
<tr>
<td>Achievement vs. Ascription</td>
<td>whether a culture rewards according to one’s performance or to one’s age, status, or gender.</td>
</tr>
<tr>
<td>Time (Sequential vs. Synchronous)</td>
<td>whether people tend to do one thing at a time or several things at once.</td>
</tr>
<tr>
<td>Environment (Internal vs. External Control)</td>
<td>whether people can control or should harmonize with nature.</td>
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Table 3. Hall’s Model

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Concept</th>
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<tbody>
<tr>
<td>Context</td>
<td><strong>High-Context:</strong> primary meaning conveyed nonverbally, contextually, and situationally</td>
</tr>
<tr>
<td></td>
<td><strong>Low-Context:</strong> primary meaning conveyed verbally or through writing</td>
</tr>
<tr>
<td>Time</td>
<td><strong>Monochronic:</strong> promptness, preciseness, and sequential</td>
</tr>
<tr>
<td></td>
<td><strong>Polychronic:</strong> multi-tasks, unpreciseness, and synchronous</td>
</tr>
<tr>
<td>Space</td>
<td><strong>Proxemics:</strong> the appropriate interpersonal length of distance or space</td>
</tr>
</tbody>
</table>

The most widely employed set of cultural dimensions, though, is that devised by Hofstede. Through his five dimensions (1997), national cultures have been measured and positioned in order to foster an understanding of the cultural differences that exist throughout the world. The first dimension, *Individualism vs. Collectivism*, refers to the relationship between the individual and the others. It should be noted that the concepts of Individualism vs. Collectivism as defined by Trompenaars and by Hofstede are quite different. Both scholars agree that individualistic cultures put individuals before the group while collectivistic cultures regard individuals as part of a group. But according to Trompenaars,
individualism refers to people putting their own interests and those of their families ahead of the interests of others, while collectivism reflects more on the interests of individuals within a group. Hofstede, on the other hand, views an individualistic society as one in which beliefs and behavior are determined by the individual; whereas in a collective society, loyalty towards one’s family, job, and country tend to determine the individual’s action and decision-making. In a collectivist society, the term “we” is the source of identity and an individual is dependent on and protected by the group. As can be seen, Trompenaars uses the term individualism in a more egoistic, self-centered sense, while Hofstede focuses on whether or not the rights of an individual are given.

The second dimension, **Power Distance**, focuses on the inequality that exists between people within the society. The core issues are how power is distributed and used, and the effect of wealth on the social distance between individuals. **Uncertainty Avoidance**, the third dimension, denotes the extent to which individuals within a culture feel threatened by uncertain or unknown events; and the corresponding degree to which society creates rules, espouses absolute truth, and refuses to go against nature in order to avoid risks, sudden changes and vague possibilities. The fourth dimension, **Masculinity vs. Femininity**, determines whether a society is assertive or modest through gender. In a masculine culture, there are higher concerns for an opportunity for high earning, recognition for a job well done, promotion, and challenges in work while in a feminine culture, good relationships, security in work, and a desirable living environment is of importance. The fifth dimension, which has been newly added to the original model, is **Long-term Orientation vs. Short-term Orientation**, which is also referred to as “Confucian Dynamism” because the long-term values are closely related to the teaching of Confucius. A long-term (future) orientation embodies traits such as perseverance and thrift (saving), while a short-term (past and present) orientation involves respecting tradition and fulfilling social obligations.

5. REMODELING OF THE CULTURAL THEORIES

Though many scholars have elucidated the impact of culture on national and business competitiveness, cultural attributes in the existing theories overlap with one another in concept and function. Therefore, in this paper, the existing models and theories have been categorized under Hofstede’s cultural dimensions. With their unique terms and functions, Hofstede’s dimensions focus on almost all aspects of culture. Figure 1 shows how most of the variables of the existing models overlap with Hofstede’s five dimensions.

In accordance with Hofstede’s terminology, an individualistic culture puts rules before trust or friendship, focuses more on the individual’s opinion, strongly separates work from private life and posits an appropriate spatial distance in interpersonal interaction. People in an individualistic society are judged by their ability and achievements, not by their age, status or gender. A collectivistic culture is just the opposite. Therefore, of Trompenaars’ seven dimensions, *universalism vs. particularism, individualism vs. collectivism, achievement vs. ascription*, and *specific vs. diffuse* along with Hall’s space variable overlap or interrelate in concept and characteristics with Hofstede’s *Individualism vs. Collectivism*. 
Figure 1. Restructuring of the Cultural Models

**Individualism vs. Collectivism (Hofstede)**

- **Trompenaars**
  - Individualism vs. Collectivism
  - Universalism vs. Particularism
  - Achievement vs. Ascription
  - Specific vs. Diffuse

- **Hall**
  - Space

**Uncertainty Avoidance (Hofstede)**

- **Trompenaars**
  - Time
  - Environment

- **Hall**
  - Time
  - Context

- **?**

- **Trompenaars**
  - Neutral vs. Affective

- **Perlmutter**
  - Ethnocentric
  - Polycentric
  - Geocentric
With respect to Uncertainty Avoidance, people within a low-uncertainty-avoidance culture tend not to concern themselves with doing one thing at a time and according to schedule, and will make changes to plans. They do not try to control nature, but rather “go with the flow”; absorbing and mixing in with the surrounding environment. They embrace the concepts of “some things are meant to be” and “easy come, easy go.” People in a high-uncertainty-avoidance culture try to avoid doing many things at once, and keep everything according to schedule. Changes and risks are avoided to prevent danger. So, the variable of Uncertainty Avoidance includes Trompenaars’ time and environment, and Hall’s time and context.

However, there is an attribute missing in Hofstede’s five dimensions. The Hofstede model cannot explain the characteristics and concepts of Trompenaars’ neutral vs. affective dimension and Perlmutter’s EPG Profile. The former considers whether or not people openly express their emotions, but it can also involve open-mindedness toward foreign trends, traditions and goods (which relates to the EPG Profile). Given the lack of a dimension corresponding to “openness,” and the overlap in the concepts of the five dimensions, Hofstede’s cultural model needs to be restructured to yield a better measurement of the cultural diversity and differences that exist among societies.

6. CRITICAL ANALYSIS ON HOFSTEDE’S CULTURAL DIMENSIONS

As mentioned above, some problems arise in considering Hofstede’s model. First, are the two dimensions, Power Distance and Individualism vs. Collectivism, truly independent of each other, and is it necessary to pair the term individualism with collectivism? Second, is the fourth dimension, Masculinity vs. Femininity, an important factor in the present world? Third, Hofstede measured uncertainty avoidance through three means of security – technology, law, and religion – but are these variables appropriate in measuring economic and business performances? Fourth, Hofstede has added a new dimension, Short-term vs. Long-term Orientation, to the original dimensions; but is it really an independent and unique dimension compared to the others? And isn’t this dimension a part of Individualism vs. Collectivism?

To begin with, the term “Power Distance” should be considered as an element of Individualism vs. Collectivism instead of as an independent variable, because the unequal distribution of power and control within a society is an indicator of whether a culture is individualistic or not. The more individualistic a culture is, the less inequality can be found in the distribution of power. In a related matter, the term “Individualism vs. Collectivism” can be shortened to simply Individualism, because if a culture is collectivistic, it can be deemed low in individualism.

The variable of Masculinity vs. Femininity is an inappropriate factor in measuring culture for a society. For example, Hofstede (1983) asserted that Japan was the most masculine society among the 52 countries measured. However, the Japanese consider “small to be beautiful,” are modest, and have high regards for helping others and for the preservation of the environment; so the Japanese are also “feminine”. Also, the elements of masculinity such as promotion in one’s job, high recognition and earning for one’s performance can be included as elements of Individualism while femininity which includes good relationship with others, cooperation among group members, work security along with desirable living environment can be seen as elements of Collectivism.

Hofstede (1997) added a new dimension, Short-term vs. Long-term Orientation, to his
original model. Confucian dynamism (another term for this dimension) has been postulated to explain the rapid economic growth and development of some of the Asian countries, especially the ‘Five Dragons’ that consisted of China, Hong-Kong, Japan, South Korea, and Taiwan. The key principles of Confucianism, which “deals with a society’s search for Virtue,” make up this dimension. It includes the principles of morality such as perseverance, honoring of one’s elders, obeying the opinion of the group, and so on. Such characteristics can be found in the collectivistic societies of Asia. However, Confucian dynamism can be said to comprise an element of Collectivism.

Technology, law, and religion are the three means of security used to measure Uncertainty Avoidance (Hofstede 1983). Technology is used in a broad sense to control nature and other uncertain aspects of the environment, as well as to avoid the risks and dangers that might occur because of the unpredictability of the natural world. Laws, including principles and rules, are used to prevent crime and to preserve peace and order – in other words, to control human behavior. Religion allows people to avoid fear of death and the after-life. It represents absolute truth, saving us with messages that transcend uncertainty. Of these three types of uncertainty, nature and religion do not directly relate to economic and business performance, which constitute the major concern of this paper. Therefore, only law, principles and rules will be considered among the three avenues of security, as exemplifying human behavior that influences the decision-making and performance of business.

7. A NEW THEORETICAL FRAMEWORK

Excluding Masculinity vs. Femininity and Short-term vs. Long-term Orientation, and incorporating Power Distance as an attribute of Individualism, the Hofstede model can be abridged into two dimensions: Individualism and Uncertainty Avoidance. In addition, as discussed, a new dimension, Openness, needs to be added for a correct understanding of cultural differences. Each of these three variables is further classified into two sub-variables to allow for a more precise concept and accurate measurement of culture.

7.1. Individualism

The concept of individualism will be extended and specified as the degree to which a person is given responsibility and reward for performance on an individual basis. The lower the level of individualism a country has, the more people focus on the “we are one” concept, i.e., collectivism.

As sub-variables of individualism, we will consider how much responsibility an individual is given, and whether or not an individual is fully rewarded for time, work, and effort. In a culture with high individualism, people are given full responsibility for their work. If a person is able, devoted, and diligent, a bonus, promotion, vacation, or higher reputation is rewarded. People within the society are motivated by the prospect of receiving higher rewards. There will be strong and active competition among people, which will lead to the development of new ideas, a high standard and quality of technology, and so on. In contrast, if both responsibility and reward are low, there will be no progress.

In the case of high responsibility and low reward, people will not put much effort into their work, because there is nothing given in return for excelling – praise and rewards are typically given only to people of higher status or age within the group. On the other hand, in
a culture that gives high rewards with low responsibility, moral hazard will commonly occur. In such a case, people can receive rewards, which are disproportionate to the effort they have invested. Individuals taking advantage of this in the wrong way are likely to become lazy, indolent, and irresponsible. As well, they will take unnecessary risks, because they will not themselves bear the burden failure. Such behavior can lead to the collapse of the company or national economy. These different types are illustrated in Figure 2.

**Figure 2.** Individualism

<table>
<thead>
<tr>
<th>Reward</th>
<th>Responsibility</th>
<th>Moral Hazard</th>
<th>Effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>No Progress</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimum</td>
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</table>

7.2. Uncertainty Avoidance

The second dimension, uncertainty avoidance, concerns the degree to which people in a country prefer structured situations to unstructured ones (Hofstede 1993). In other words, it is the extent to which a culture feels threatened by uncertain or unknown events and therefore, creates laws and standards, and refuses to take risks or challenges. People can be either offensive or defensive with regard to present and future events. However, Hofstede has explained only the defensive side of uncertainty avoidance; so, a new sub-variable has been added to allow for a complete explanation of the dimension. The former has been termed disciplinism, the latter frontierism.

As a sub-variable of uncertainty avoidance, disciplinism is the preciseness in rule-orientation. A disciplined culture prizes precision and accuracy, and requires its people to be diligent and hardworking. Rules are made as a defensive mechanism, to prevent and avoid damage, casualties, and risks. The less a country exhibits disciplinism, the greater is the chance of corruption, bribery, and crime. Disciplinism is basically focused on preserving and strengthening laws and standards, and explains Hofstede’s perspective of uncertainty.
avoidance, which is past/present-oriented.

However, another sub-variable, which can be called frontierism, should also be taken into consideration. Frontierism is the mindset to innovate, invent, and invest in building a more certain future. It is the willingness to change and to create something better in order to avoid future uncertainties. Therefore, a culture that is frontieristic is dynamic and future-oriented. The impact of the “frontier” on society first gained widespread attention through the dissemination of Fredrick Jackson Turner’s “frontier thesis” (1894). In the The Significance of the Frontier in American History, Turner states that numerous cultural traits such as “that coarseness and strength combined with acuteness and acquisitiveness; that practical inventive turn of mind, quick to find expedients; that masterful grasp of material things...” can be attributed to the influence of the frontier.

“Pioneerism” is related to frontierism. This term evokes the will and the mind of 19th-century American pioneers who chose to take great risks in the hope of building a new life in the unknown wilderness that lay beyond the Rocky Mountains. Entrepreneurship is defined as an activity of creating supernormal values for individuals, organizations, and society by creating reward minus risk, i.e. increasing reward, reducing risk or both (Moon and Peery Jr. 1997). Therefore, frontierism is similar to entrepreneurship in its goal of maximizing return through avoiding uncertainty by means of innovativeness.

As can be seen in Figure 3, when frontierism and disciplinism are both high, a nation is heading toward advancement. People not only keep the rules and are diligent but also develop new skills and abilities. However, if both are low, a condition exists similar to that of the pre-historic period wherein no well-established laws, rules or regulations exist, the fundamental factors of life (food, shelter, and clothing) are the overriding concerns of life, and there is no progress.

Figure 3. Uncertainty Avoidance
But an abundance of one factor combined with a dearth of the other can create problems as well. With high frontierism and low disciplinism, a nation can fall into turmoil or chaos. People will act on their own, and will take unnecessary and counterproductive risks, for there will not be any significant rules to regulate such acts. Many projects will be undertaken, but the results will be inefficient, unorganized and incomplete. People will take more risks in hope of avoiding the uncertainty that comes with failure. The nation or company will continue funding and paying for what is done, but will eventually breakdown.

If frontierism is low and disciplinism is high, the decision-making process and its results will show slow progress, as people will feel bound to do things according to existing laws and standards. People will experience anxiety, unease, and stress. Everything done will seem complex and prolonged. People in such society will be thought by outsiders to be stubborn and irritating. To work or negotiate with people in such countries will require great patience.

7.3. Openness

The new dimension that has been added to the Hofstede model is openness. Openness is the ability to accept and understand the diverse characteristics and behaviors of different cultures. It is the ability to distinguish what is good and what is bad, what is right and what is wrong in accepting the values and cultures of other nations. Aggressiveness and attractiveness are the two sub-variables, which can be used to characterize two different ways of opening a country. A country demonstrates attractiveness when it creates an environment that encourages the inflow of foreigners, foreign goods, and foreign investments [inbound orientation]. On the other hand, a country is aggressive when it prefers to go out into the world through emigration, exports, and foreign investments [outbound orientation]. These differences are contrasted in Figure 4.

**Figure 4.** Openness

```
+-----------------+-----------------+
|                 | Outbound        |
| Aggressiveness  | Global/Open-minded |
|                 |                   |
+-----------------+-----------------+
| High            | High             |
| Narrow-minded   | Inbound          |
| Low             | Low              |
| Attractiveness  |                 |
```

7.3. Openness
The openness of a country, both inbound and outbound, can be related to Perlmutter’s EPG Profile. If a country is high in both attractiveness and aggressiveness, people will have the willingness to accept and change according to need, leading them to have an open global mind. However, when a country lacks both of these factors, people become negative and narrow-minded, closed within themselves with no thought for or interest in what lies outside their borders. They act according to their emotions and are considered nationalistic and protective. Countries can be either outbound- or inbound-oriented in their way of thinking or doing business, but there needs to be a balance between the two variables because if there is not, an imbalance will arise in the flow of capital, goods, and services.

8. EMPIRICAL STUDY

Each dimension of the revised cultural model has been measured for country-level. The IPS National Competitiveness Report 2000 (Cho and Moon 2000) is the reference used in this paper. This report has collected and analyzed data for competitiveness variables. The relevant data have been collected from statistical sources published by international and government organizations. In addition, the Korean Trade-Investment Promotion Agency (KOTRA) offices abroad have obtained the qualitative data. Raw data are transformed to standardized indices in order to control different scales of data values. An overall index for each of the main factors is then calculated by taking an average of the standardized indices for all sub-factors within each main factor. In this paper, sixty countries have been measured for each of the sub-variables of the three dimensions. Countries have been measured and positioned according to the average of three factors for each dimension’s sub-variables. The proxies are as follows:

**Individualism**

**Responsibility**
- Job description and individual roles
- Corporate governance
- Relationship between labor and management

**Reward**
- Reward on performance
- Transparency of the firm’s decision process
- Compensation to professionals

**Uncertainty Avoidance**

**Disciplinism**
- Keeping public order
- Bureaucracy
- Bribery and corruption

**Frontierism**
- Mindset for innovativeness and creativity
- Differentiated competence of entrepreneurs
- Motivation and attitudes of professionals
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Openness

Aggressiveness
- Adaptation of firms to international changes
- Readiness to international competition
- Willingness to accept new ideas

Attractiveness
- Equal treatment of domestic and foreign firms
- Competitiveness of foreign entrepreneurs
- Openness of professional jobs to foreigners

Some important inferences can be drawn from Figures 5, 6, and 7. First, most of the developed countries such as the United States and Europe have a high standard of individualism, uncertainty avoidance, and openness. Also, semi-developed countries, especially Singapore and Hong Kong, are as high in all three dimensions as the developed countries, and indeed are higher than Japan. Therefore, it can be seen that culture is an essential factor in economic development, considering the superior performance of Singapore and Hong Kong. Second, all three cases show upward trends between the two sub-variables, from the lower left toward the upper right corner. This result shows that the two sub-variables for each dimension have to develop in balance.

Figure 5. Individualism and Economic Development
Figure 6. Uncertainty Avoidance and Economic Development

High

US
New Zealand
Finland
Sweden
Germany
Ireland
UK
France
Canada
Singapore

Low
Bangladesh

Frontierism

High

US
New Zealand
Switzerland
Sweden
Germany
Ireland
UK
France
Canada

Low
Bangladesh

Disciplinism

High

US
Japan
Israel
Denmark
Switzerland
France

Low
Bangladesh

Aggressiveness

High

US
Japan
Israel
Denmark

Low
Bangladesh

Attractiveness

High

US
Japan
Israel
Denmark

Low
Bangladesh

Figure 7. Openness and Economic Development
9. CONCLUSION

It is important to understand how people in other societies think and behave. Although many scholars have established diverse models regarding culture, existing models are not satisfactory. In this paper, a new cultural model has been introduced. An empirical study has also been conducted at the country level. The most important implication of this study is that culture affects economic or business performance in measurable ways. Cultures have been thought to be environmental or exogenous. However, if cultures matter for economic development, we may have to seriously consider how to change or adjust our cultures for better economic performance.

Cultures have different levels – national and organizational. It will take a long time to change national culture. However, we have seen that there are some significant differences in cultures between developed countries and less developed countries. Policy makers have to consider cultural dimensions when they formulate economic policies. On the other hand, it can be relatively reasonable in terms of time and effort to change organizational cultures if the leader has a sound and proactive vision. This can be studied further by collecting organizational- or corporate-level data. For such a study, the model developed in this article will also be useful.

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Hwy-Chang Moon. School of International and Area Studies, Seoul National University.
Sun 56-1, Shillim-dong, Kwanak-gu, Seoul, 151-742, Korea.
Tel: +82-2-880-8518(Office). E-mail: cmoon@snu.ac.kr

Tel: +82-31-670-5310(Office). E-mail: ekchoi@snu.ac.kr