



ELSEVIER

Contents lists available at ScienceDirect

# Research in International Business and Finance

journal homepage: [www.elsevier.com/locate/ribaf](http://www.elsevier.com/locate/ribaf)

Full length article

## A new dataset of cultural distances for European countries and regions



Anneli Kaasa\*, Maaja Vadi, Urmas Varblane

Faculty of Economics and Business Administration, University of Tartu, Narva Road 4, 51009 Tartu, Estonia

### ARTICLE INFO

#### Article history:

Received 22 September 2015

Received in revised form 16 October 2015

Accepted 27 November 2015

Available online 31 December 2015

#### Keywords:

Culture

Distance

Hofstede

Europe

Regions

Multinational enterprises

### ABSTRACT

This article documents a new dataset of cultural distance measures both at the country and regional levels in Europe. These measures were calculated using data from the European Value Survey and European Social Survey. The composite index of cultural distance and the distances according to separate dimensions both were calculated. The created matrices can be used by researchers when applying the concept of cultural distance, for instance in international business research, but it also helps to operationalise cultural distances at the regional level by multinational enterprises. Examples of comparisons of the distances between different European countries and regions enabled by the new dataset as well as a comparison to analogical measures based on Hofstede's original scores are given.

© 2015 Elsevier B.V. All rights reserved.

## 1. Introduction

It is commonly accepted that when firms plan to enter foreign markets, distance has to be taken into account and besides geographical distance other aspects are important as well. For example, firms have to adjust to foreign culture and to consider differences in languages, rules of behaviour, beliefs and norms, lifestyles, consumer preferences etc. Cultural distance is a concept that is widely used in many fields (Moufakkir, 2011) and mostly in the international business literature (see, for example, Kirkman et al., 2006; Samiee, 2013; Shenkar, 2001 for an overview). As noted by Shenkar (2001), “few constructs have gained broader acceptance in the international business literature than cultural distance”. Cultural distance has been investigated as being related to, for example, foreign market attractiveness and selection, entry mode choice, foreign investments, technology transfer, expansion patterns, selecting products and services for new markets, marketing and retailing strategies, human resource management issues, using different management practices. It has even been said that “international management is management of distances” (Zaheer et al., 2012).

However, the measurement of cultural distances that is most often done using the Kogut–Singh (1988) index based on Hofstede's (1980) original scores of cultural dimensions has been criticised in many aspects (Drogendijk and Zander, 2010) and there are serious limitations in the cultural distance measurement so far. This article aims to address the following criticism and limitations. First, there have been doubts that Hofstede's scores based on a survey in one company cannot be representative of the whole population (McSweeney, 2002; Chiang, 2005; Gooderham and Nordhaug, 2001). Second, most studies have calculated the distance measures of a single country from other countries only. Third, the within-country differences in culture that have been getting increasing attention lately (see, for example, Peterson and Søndergaard, 2014)

\* Corresponding author. Tel.: +372 7375 842.  
E-mail address: [anneli.kaasa@ut.ee](mailto:anneli.kaasa@ut.ee) (A. Kaasa).

have not received much attention so far in the international business literature on cultural distance. No measures are available for researchers and practitioners of international business so far in order to identify cultural distances between regions within European countries.

The purpose of this article is to provide a new dataset of cultural distances both at the country and regional levels in Europe. The composite index of cultural distance was calculated on the basis of the cultural dimensions created using data from the European Values Survey (EVS, 2010) and the European Social Survey (ESS, 2008) based on Hofstede's (1980, 2001) descriptions. As it may be reasonable in the case of some research questions to include cultural dimensions separately into the analysis instead of using the composite index, cultural distances according to single dimensions were calculated as well. The created matrices of the composite index of cultural distance and cultural distances according to separate dimensions can be used when applying the concept of distances, for example in international business research.

After this introduction, the next section gives an overview of the concept, measurement possibilities and problems of cultural distance. Then, Section 3 introduces the data and methodology used. Due to limited space, presenting all matrices here is unfortunately not possible, but Section 4 gives some examples of how the new dataset can be used for comparing the distances between different European countries and regions. Section 5 provides a country-level comparison of the distances calculated using the ESS/EVS based cultural dimensions with the distances calculated on the basis of Hofstede's original scores. Section 6 draws conclusions and discusses some management implications and limitations of this study.

## 2. Cultural distance: Concept and measurement

The definition of cultural distance has been found to be quite homogeneous (see Figueiredo et al., 2008 for an overview of different definitions). Cultural distance is usually defined as the degree to which shared cultural norms and/or values in one country are different from those in another country (Sousa and Bradley, 2006, 2008; Ng et al., 2007; Moufakkir, 2011; Qin et al., 2011; Chang et al., 2012). However, as many authors have pointed out (Sousa and Bradley, 2006, 2008; Hemmasi and Downes, 2013; Avloniti and Filippaios, 2014), the term 'cultural distance' has often been used interchangeably with 'psychic distance'. Although these two concepts are related, indeed, a clear distinction should be made between them. While 'cultural distance' refers to the cultural differences between countries and thus has to be assessed at the country level, 'psychic distance' is an individual-level concept (Chapman et al., 2008; Sousa and Bradley, 2008; Avloniti and Filippaios, 2014). Psychic distance is usually defined as the individual's perception of differences between two countries resulting from many different aspects: geographical distance, language, cultural, social, political, economic, institutional, educational and environmental differences, differences in business practices etc. (Figueiredo et al., 2008 provides an overview of different definitions). As culture is one important aspect determining an individual's perception of the differences between the home country and the foreign country, then the cultural distance between two countries can be, of course, expected to be an important determinant of the psychic distance perceived by individuals living in one of those countries (Sousa and Bradley, 2006, 2008; Sousa and Lages, 2011).

Cultural distance can be measured by various means. Kogut and Singh (1988) created a composite index of cultural distance based on the four cultural dimensions of Hofstede (1980). The Kogut–Singh index or an adapted version of it has been used in many studies after that and as pointed out by many authors (Mezias et al., 2002; Ng et al., 2007; Chapman et al., 2008; Sousa and Bradley, 2008; Chang et al., 2012), it can be viewed as the most popular measure of cultural distance. There are two aspects that have to be discussed regarding the measure of cultural distance: the concept of culture on which the measure is based and the calculation method of the index of cultural distance.

First, regarding cultural differences, there is a variety of approaches to the classifications of cross cultural differences. Cultures are often characterised by means of distinct dimensions: every culture can be pictured as a point in a multidimensional model. Many different sets of dimensions can be found in the literature (for example, Parsons and Shils, 1951; Kluckhohn and Strodtbeck, 1961; Hofstede, 1980; Schwartz, 1994; Inglehart and Baker, 2000; House et al., 2002), but the concept that is most widely used in the literature is that of Hofstede. Hofstede (1980) derived his dimensions by re-analysing the data obtained during a large research project originally intended to study employees' work-related values in the subsidiaries of the multinational corporation IBM. Exploratory factor analysis gave three orthogonal factors. The first factor captured individualism–collectivism and power distance that were later viewed as two separate dimensions, as they were conceptually distinct and not correlated if wealth was controlled for. The other two factors reflected masculinity–femininity and uncertainty avoidance, respectively. Much work has been done discussing this concept in the literature (see, Schaffer and Riordan, 2003 or Kirkman et al., 2006 for an overview or Chiang, 2005; Oyserman et al., 2002; McSweeney, 2002; Gooderham and Nordhaug, 2001 for examples of the discussion). Despite the criticism in the literature, it is commonly viewed as a grounded approach for describing culture and was also the basis for the first attempt to calculate an index of cultural distance (Kogut and Singh, 1988).

Thereafter, several other studies have based their measures of cultural distance on Hofstede's concept as well (see Sousa and Bradley, 2008; Chapman et al., 2008 for an overview), some including also the later-added dimensions (for example Rothonis et al., 2016). Because of the criticism on Hofstede's work, some authors (see Beugelsdijk et al., 2013 for some examples) have used other cultural dimensions derived from the GLOBE study (House et al., 2002) or the World Values Survey (Berry et al., 2010). Tadesse and White (2010) calculated their measures of cultural distance based on two dimensions (traditional vs. secular-rational authority and survival vs. self-expression values) developed by Inglehart et al. (2004).

Download English Version:

<https://daneshyari.com/en/article/1003061>

Download Persian Version:

<https://daneshyari.com/article/1003061>

[Daneshyari.com](https://daneshyari.com)