(De)globalization and Business Culture

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April 2012
Outline

- A new economic order.
  - Based on cultural comparative advantage.
  - Japan, India, Korea, China, the West

- Cultural deglobalization.
  - Economic and technological basis.
A new economic order

Movement toward a multi-polar equilibrium.
A new economic order

- Based on **comparative cultural advantage**.
  - Much more than “outsourcing.”
  - Many countries have cheap labor.
  - Only a few have become economic powerhouses.
A new economic order

Based on **comparative cultural advantage**.
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Such as...
- Japanese quality.
- Indian information technology.
- Korean manufacturing.
- Chinese entrepreneurship.
- Western technological innovation.
A new economic order

Japanese quality

Continuous improvement
- Group oriented, rather than requiring individual reward.
- Maintain group harmony by honoring everyone’s ideas.
- Long time horizon.
- Nemawashi

Hanko stamp
Traditionally a part of nemawashi
A new economic order

- Superior operations management
  - Just-in-time inventory management
  - Kanban systems minimize rework, maximize flexibility.
  - Lean manufacturing, reduced setup times.

Toyota factory in Japan
A new economic order

- Superior operations management
  - Just-in-time inventory management
  - *Kanban* systems minimize rework, maximize flexibility.
  - Lean manufacturing, reduced setup times.
- Outgrowth of *keiretsu* (formerly *zaibatsu*).
  - Old-boy networks, trust relationships.
  - *Keidanren.*
A new economic order

Indian information technology

Pantheism vs. secularism
- No need to maintain & manipulate nature.
- Other coping mechanisms

Inner discipline
- Get control of one’s mind rather than the environment.
- Modern form: intellectual discipline, academic competition.
A new economic order

Networking.

• Efficient way to absorb technical knowledge.
A new economic order

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- A verbal culture.
  - Well suited to academic discourse, information age.
A new economic order

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- A verbal culture.
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- Case study: Software development.
  - No need for technology, but well equipped to create it.
  - Create an orderly world of the mind rather than externally.
A new economic order

- Indians see themselves as Westernizing/globalizing
  - There is a reliance on rationality, as in the West.
  - But Indians are leveraging their own cultural traits.
A new economic order

Korean Manufacturing

- Initially an imitation of Japanese zaibatsu.
  - High power distance culture allowed Park Chung Hee to create the chaebol.

- Cozy relationship between leading industrial families and the government
  - Allowed Korea to build major private corporations in a relationship-based culture.

Park Chung Hee
Korean dictator 1961-79
A new economic order

- Loyalty to the boss.
  - Paternal relationship.
  - Bottom line and short-term profitability are secondary.

Korean chaebol
A new economic order

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- Highly disciplined, hierarchical groups.
  - Organized by age.

Korean chaebol
A new economic order

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- Highly disciplined, hierarchical groups.
  - Organized by age.

- Highly competitive, masculine culture.
  - Strong national solidarity.

Korean chaebol
A new economic order

Chinese entrepreneurship

A cultural trait of coastal Chinese

- Particularly speakers of Yue (Cantonese), Min (Fujianese), and Wu (Shanghaiese) dialects.
A new economic order

Chinese entrepreneurship

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  - Particularly speakers of *Yue* (Cantonese), *Min* (Fujianese), and *Wu* (Shanghaiese) dialects.

- Uncertainty tolerant culture.
A new economic order

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Uncertainty tolerant culture.

Self-esteem tied to wealth and status.

- “To be rich is glorious” (Deng Xiaoping).
A new economic order

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- Masculine culture, competitive.
A new economic order

**Relationship-based business.**

- Family-based investment financed the boom.
- *Guānxi* is a time-tested mechanism.
- World’s largest economy for 8 of last 10 centuries, soon to be again.

President Hosni Mubarak of Egypt with Chinese Trade Minister Bo Xilai, who headed a delegation of 150 Chinese businessmen.
A new economic order

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**Making inroads into South America, Africa, Middle East.**
- More comfortable with Chinese relationship-based business style than Western rule-based transparency.

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A new economic order

Western technological innovation

Disenchantment of nature.
  • Opened the way to manipulation of a secular world.
  • Greek rationality.

Max Weber
A new economic order

Western technological innovation

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- Technology as coping mechanism
  - Controlling the environment rather than oneself.
  - Support from family, friends less important.

Max Weber
A new economic order

Individualism.
- Individuals have the right to rethink everything.
- Students asked to reason from first principles.
- Do experiments, prove theorems.
- Individual expression, originality valued.

Payoff: new ideas for technological coping mechanism.
Cultural deglobalization

- Economic basis
  - Successful countries will retain and emphasize the cultural traits that bring them success.
    - Including their behavioral norms.
    - They may see themselves as Westernizing.

Infosys, Electronics City, near Bangalore
Cultural deglobalization

Economic basis

- Successful countries will retain and emphasize the cultural traits that bring them success.
  - Including their behavioral norms.
  - They may see themselves as Westernizing.

- We must understand their norms and value systems.
  - ...to succeed in the new world order.

Infosys, Electronics City, near Bangalore
Information technology

Deglobalization.

Cultures adapt technology to their own purposes

- Including information technology.
Information technology

Deglobalization.

Communication technology **reinforces** cultural divergence.

- Rather than homogenizing the world.
Information technology

Deglobalization.

Communication technology **reinforces** cultural divergence.
- Rather than homogenizing the world.

**In two ways:**
- Market **microsegments**
- Support for **high-context** as well as **low-context** communication
Information technology

Market microsegments

• Satellite channels.
  • Easy to set up
  • Can cater to every ethnic group
    – 350+ Arabic-language channels
Information technology

- Culturally-specific websites.
  - e.g., 275+ Google sites
Information technology

- Support for high-context communication
  - Connectivity
  - Close supervision
Information technology

- **Mobile phones.**
  - Constant contact with associates.
    - After Finland, took off in Asia.
  - Close and constant supervision
    - By parents.
    - By employers.
Information technology

- Text messaging, etc.
  - Smart phones
  - Instant messaging
  - Email
Information technology

- Networking websites.

*Low context*

Facebook helps you connect and share with the people in your life.

*High context*

Orkut

Connect with friends and family using scraps and instant messaging

Discover new people through friends of friends and communities

Wildly popular in Brazil.
Information technology

-country specific sites...

- China: Baidu is leading search engine.
  - Offers its own encyclopedia, music, and movie sites

- China: many social networking sites
  - Qzone, RenRen, Pengyou, Sina Weibo (includes twitter), Kaixin001, Douban, etc.

- Russia: many blogs
  - LiveJournal very popular
  - 1.15 million other blogs