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When East and West Meet: An Essay on the Importance of Cultural Understanding in Global Business Practice and Education

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When East and West Meet: An Essay on the Importance of Cultural Understanding in Global Business Practice and Education

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ABSTRACT

As today’s business decisions and choices are increasingly influenced by the diverse cultural backgrounds and perspectives of various corporate stakeholders, it is critical for business managers to have multicultural understanding. This motivates us to refine our business perspectives and approaches in global arena as well as our educational philosophies on global business management. Based on casual yet experiential discussions, this essay presents some cohesive points on comparative cultural understanding and business implications thereof between the “West” and the “East,” which is presupposed by the cultural contrasts between America and Korea. It can hopefully serve as a practically meaningful guideline for business practice and education on multiculturalism.

Keywords: multiculturalism, global business management, comparative cultural understanding
INTRODUCTION

Thanks to the rapid and continuous expansion of large global businesses, today people, capital, information, and technology travel more freely, rapidly, and widely than ever. The ever-expanding scope and scale of large global firms over the recent decades have already been amply documented by numerous reports (See, among others, Barnet & Cavanagh, 1994; Korten, 1996; Karliner, 1997; Gottlieb, 1998; Worldwatch Institute, 2000; Chang & Ha, 2001, Schmidt, 2007; and Hynes, 2008). These and many other reports cite interesting and surprising facts about the growing size and influence of the corporate world.

Although the world economy has been experiencing severe recession in recent years, still 30 of the 100 largest economies in the world are corporations, and top 500 corporations account for nearly 30 percent of the world’s total economic output and 70 percent of the worldwide trade. 50% of the U.S. population generates basic income from corporations. All told, since 1950 the global economy expanded, thanks largely to corporations, from an annual output of $5 trillion to over $30 trillion, and growth since the 1990s exceeded that during the 10,000 years from the beginning of agriculture until 1950.

Due to such rapid and large-scale expansion of global business the world is continuously being assimilated and homogenized, and yet at the same time, uncovering more about its cultural diversity. Everyday in and outside of a global corporation different cultures, norms, and standards meet and interact. The continuous rise in large-scale global mergers and strategic alliances also promotes both intra-firm and inter-firm diversity and multiculturalism (Black & Mendenhall, 1990; Zonis et al., 2005; Collins, 2008).

This means that as global business activities are conducted between parties of different cultures, firms increasingly find their business perspectives and management tools culturally constrained. For example, the idea of profit generation based on the strong consumerism in the “Western” culture may no longer work perfectly in this already globalized market. Yet, by the same token, the idea of building corporate empires based on the strong group mentality of the “Eastern” culture may not work either.

Different cultures breed different socio-politico-economic systems and paradigms. This means that economic systems and policies, market mechanisms, financial institutions, corporate systems and governance are all inherently culture-bound. Therefore, understanding different cultures is critical in understanding different systems.

Today managers, shareholders, employees, business partners, and other corporate stakeholders make decisions and choices that draw upon different cultural background and perspectives (Thomas & Ely, 1996; Adler, 2002; Gannon, 2004; Gitman & McDaniel, 2008). Without comprehension of cultural diversity, therefore, our solutions for global business issues will not be complete. Although the solutions eventually rely on cultural harmony, cooperation, and synergy, what we often encounter first is cultural misunderstanding, conflict, and collision. This motivates us to refine our business perspectives and approaches in global arena as well as educational philosophies on global business management.

Cultivating a global perspective toward the diversity and multiculturalism should start with an understanding of cultural values, perceptions, manners, demography, social structure, and decision-making practices of different regions. Along this line some studies have already theorized cultural differences in global business and produced some tangible guidelines for crosscultural understanding (See, among others, Hofstede, 1980; Adler & Graham, 1986; Black

However, even before making any serious attempt to theorize perceived cultural divergence, one can acquire and impart cultural knowledge through casual, informal, but direct observations and experiences. After all, understanding other cultures should begin with recognizing the difference and diversity in the way people think, talk, act, eat, play, live, and die. Employing such liberal perspective, this essay presents some cohesive discussions on comparative cultural understanding between the “West” and the “East.”

While completely ignoring the “North” and the “South” cultural blocks, although such recognition may bear some significance, the essay only dichotomizes the “West” and the “East” cultural blocks. Yet the dichotomy is further abstracted and simplified into the cultural contrast between America and Korea without any theoretically justifiable reasoning but only to make use of the author’s bi-cultural observations and experiences between the two countries. While such oversimplification is a far cry from establishing a theory with any power of generality or robustness, it can hopefully serve as a practical guideline for business approaches and management education on multiculturalism.

EAST AND WEST – STILL DIFFERENT AND OFTEN DIAGONALLY OPPOSING

So, if it is assumed that things are just about the same between cultures when in fact they are not, or if those cultural differences are ignored, there arise some serious undesirable consequences ranging from individual embarrassments to costly business decisions and national policy blunders. Consider the following cultural and behavioral contrasts between America and Korea that can be easily observed in our daily lives.

What’s in a name?

- Whereas Americans put their given name before their family name, Koreans reverse that order (Tan, 1998; E Diplomat, 2009).
- Whereas in America when a woman marries she gets her husband’s family name, in Korea she retains her maiden name (Tan, 1998; Darlington, 2008).
- While Americans love to call people by their first name, Koreans remain largely as “people with no given names.” Typically Koreans address people by their family name with some ‘socially acceptable’ title, and thereby hide their given names, like President Kim, Professor Lee, Doctor Choi, or simply Mr. or Miss Park. A Korean woman with a child named Kildong would be often addressed as ‘Kildong’s mom’ (Ingraham, 1997; Kim, 2005).
- Americans put people’s names virtually everywhere – as in the Smithsonian Museums, Webster’s Dictionary, Carnegie Hall, and so forth. Korea has not too many of such examples (Alford, 1988; Triandis, 1995).

What’s in a language?

- Whereas Americans say, “I love you,” Koreans would say “I you love” or just “Love” in their language (Hall, 1976; Kwon et al., 2006).
- In English the school I go to is “my” school, the company I work for is “my” company, and
the country I live in is “my” country. However, in all these cases instead of “my,” Koreans would say “our” in their language. A Korean man or woman even refers to his or her own spouse as “our wife” and “our husband” (Choi & Choi, 1993; Triandis, 1995).

- The Korean word for “different” also often means “wrong” (Chang, 2004).
- Americans have a saying like “Don’t just be another statistic,” whereas Koreans have a saying, “Don’t stick out, or else you will get hammered” (Chang, 2008).

What’s in a mannerism?

- While Americans very commonly do handshaking, waving, beckoning, blowing kisses, high-fives, snapping fingers, crossing fingers, and other gestures using their hands and fingers, such mannerisms are not native to the traditional Korean society and often considered impolite and rude (Kublin, 1995; Hofstede, 1980).
- Americans openly express their love and affection by kissing, hugging, and other bodily actions, but Koreans have traditionally been refraining from such mannerisms in public (Herbig, 1998).
- Whereas Americans frequently utter such common phrases as Hi, Hello, Thank you, You’re welcome, Excuse me, and I am sorry, Koreans sometimes express thoughts by just eye contacts or bodily gestures without saying such phrases (Hall, 1984).

What’s in a custom?

- Whereas a typical American home has rooms separately designed and used for different functions (e.g., bedroom, dining room, living room, den, etc.), a traditional Korean residence has only multipurpose rooms, any of which can be used for dining, sleeping, studying, playing, etc. (Kim & Choi, 2004).
- Koreans are so active in participating in school alumni activities that it is safe to say that Korean alumni contingencies that attended US colleges are stickier than their parent groups in America (Korean Sociological Association, 1990; Hwang, 1997).
- Korean bills (and coins) grow in size as the denomination gets larger, whereas American dollar bills are all the same in size. Also, in Korea the bigger the denomination, the more venerable person’s portrait the bill carries, but it’s quite the opposite in America (Cho & Schulz, 2001).
- In Korea credit cards are welcome but personal checks are never accepted (Korea Institute of Public Finance, 2004).

PARADIGMATIC DIFFERENCES IN BUSINESS SYSTEM

Above are just a few of the countless divergent points casually observed between the two cultures. While some aspects of one culture may be seen quite exotic, quixotic, and even absurd by the other, many of them arise from one of the most notable characteristic differences between the two cultures, namely, the strong individualism in America versus the unmistakable collectivism in Korea.

Americans believe that individuals are the most important, while Koreans think individuals are just part of, therefore, subject to, the families, groups, companies, and communities they belong. In Korea individuals often represent not themselves but the group
they belong to. Presenting and pursuing an individual’s own agenda is openly rebuked by Korea’s Confucianism-based ethics. This is why Korea remains as a no-name society while in America people’s names are flying everywhere (Alford, 1988; Triandis, 1995).

The American individualism is characterized by individuals’ natural rights and covenantal freedom as well as individuals’ self-government, discretion, and accountability (Aldridge, 2002). It is this strong individualism that has produced in America a self-governing free market economy where individual investors and consumers are at the center. It is this strong individualism that has developed a shareholders-driven corporate paradigm in America.

In Korea, where the possessive pronoun ‘my’ is all too often replaced by ‘our’ and people share many communal dishes on the table at the same time, everything is communal, collective, and interdependent. As individuals willingly subject themselves to group loyalty, solidarity, and conformity, the ideas of consensus decision-making and collective responsibility become quite natural. It is this strong collectivism that has traditionally put the welfare and growth of the corporation as a whole ahead of individual shareholders’ interests in Korea. It is this strong collectivism that has produced ‘chaebols,’ corporate conglomerates in Korea such as Samsung, Hyundai, and LG, which engage in many different businesses ranging from noodles to missiles (Morden & Bowles, 1998; Kee, 2008).

In America competition among individuals is the driving force behind the socio-economic progress. As the strict meritocracy and the survival-of-the-fittest rule prevail in every sector of the society, in America corporate control market is always at work frequently producing hostile takeovers, mergers, and acquisitions. While struggling companies willingly seek bankruptcy protection, many failing companies disappear all too fast in America. This is why the American stock ownership is often described as diffused, impatient, transient, and myopic (Bhide, 1994).

While America is generally perceived as a universalistic, egalitarian society where all are believed to be created equal and everyone is expected to be a Good Samaritan to others, Korea is a particularistic, discriminatory society where you recognize other people differently depending on whether you have a relationship with them, and if so, how close that relationship is. This is why Koreans have seven different names for the sister-in-law and this is why Korean alumni contingencies of American colleges are stickier than their parent groups.

The Korean society has traditionally promoted paternalistic protection and mutual forbearance in all areas. As a result, a quite sticky nepotism based on such traits as blood, hometown, and school is widely tolerated in Korea. Networking, nightclubbing, and other connection building efforts are not only permitted but also encouraged in Korea. So, Korean firms would rather seek cooperation instead of competition and friendly mergers instead of hostile takeovers. Through cross-subsidization, reciprocal trading, and other mutually reliant relationships they would help one another to avoid bankruptcy, which in Korea traditionally means the end or an irrevocable stigma (Rodrik, 1994; International Monetary Fund, 2004).

The diffused corporate ownership in America is known to entail high agency costs and strong shareholder activism (Miller, 1994). But the mutually reliant cross-ownership in Korea tends to reduce the agency costs and bankruptcy costs, which in turn allows Korean firms for high leverage tolerance. While the American economy and markets are believed to have much flexibility, mobility, and adaptability, the Korean counterparts are described as inert and rigid. However, the Korean system tends to be more stable whereas the American system is allegedly subject to greater volatility and short-termism (Wheeler & Sillanpaa, 1997).
Whereas in the English sentence “I love you” the speaker explicitly specifies who (I) loves whom (you), in the Korean counterpart the speaker simply utters the verb (love) and omits both the subject and the object of the sentence altogether. The idea is that when one person says to another just, “love,” it is already clear who loves whom – the speaker loves the listener. The circumstances and contexts are so obvious that it is actually unnecessary to specify who loves whom in the sentence.

The expressional forms and styles of Korean language are greatly dictated by the context in which those words are spoken. Korean language is thus labeled a high contextual language while English is known as a low contextual one. But the language is not the only thing that is highly contextual in Korea. All too many things in Korea are actually understood, communicated, and executed in a highly contextual manner. Besides, everyone is assumed to be aware of and familiar with the surrounding context. This is why Koreans often go without saying such common phrases as Hi, Hello, Thank you, You’re welcome, Excuse me, and I am sorry.

In a society where virtually everything is indirect or implicit, the Korean way to do things is highly circumstantial and implicit. So, it is commonly assumed and accepted without specific reasoning that what is good for your company is good for you. Whereas in America individuals have to prove themselves for their competencies and skills in substantive ways, in Korea a good school diploma automatically proves that and seniority automatically means better knowledge and skills.

In Korea things are often judged by their form and appearance regardless of their actual contents and practical functions. Such formalism or nominalism in Korea is in stark contrast with America’s practicality, pragmatism, or functionalism. Yet, the Korean people openly and voluntarily accept formality-based pretentiousness as part of their traditional metaphysicism or moralism. This is why the bigger the denomination, the more venerable person’s face appears on the Korean money (Cho & Schulz, 2001).

When the society is much conscious of formalities, look, appearance, namesake, and face saving, it tends to be rather assuming and presumptuous in determining the relevant contents and essential cores of the matters. This is one reason why Korea’s accounting practice appears to be very conservative. Big numbers of various reserves and allowances on Korean firms’ financial statements make them look safe and solid. As opposed to such accounting conservatism in Korea, the pragmatic American culture would rather go after the real transparency in the market and corporate management, thus requiring very strict disclosure, reporting, inspection, and auditing (Bhide, 1994; Jang & Lee, 1997).

Throughout its long history Korea has never experienced a serious intellectual tradition of any kind of liberalism. The feudalistic authority has been practically the only source of societal power in Korea. This is why Korean people have to carry their citizen registration cards and this is why personal checks are not in use in Korea. On the contrary, America is probably the only major country in the world that has not experienced a feudalistic regime in its official history. America’s free-flying liberalism thus promotes innovative spirits throughout the society that have been the driving force behind all these breakthroughs and disruptive technologies from flush toilet to Internet, and from mutual funds to derivatives (Friedman, 2004).

The American system provides equal opportunity and fair competition for all but allows no free riders. So, whereas Americans are generally willing to accept the uneven outcome of competition as in, for example, skipping or repeating a grade in school, Koreans are not so. In a society where the word that means ‘different’ also means ‘wrong,’ uniformity is valued rather
than diversity, and stability is favored over disruption. This is why the Korean society and corporate business world mainly engage in problem-solving issues, whereas America spontaneously engages in many problem-seeking activities (Yoon & Miller, 2002; Othman & Zeghal, 2006).

So, the two corporate cultures also differ in modes of progress and development. American firms thrive on innovations and breakthroughs, whereas Korean firms progress through gradual and continuous improvements (known by the Japanese term ‘kaizen’ in Imai, 1990). This is why the corporate America keeps producing Microsoft, Amazon.com, eBay, Google, YouTube, and the likes, while the corporate Korea embraces such closely-knit corporate families as Samsung, Hyundai, and LG. The risk-taking entrepreneurial American culture also keeps producing financial market innovations such as mutual funds, options and futures, risk management tools, and financial engineering expertise.

Korean firms, on the other hand, tend to pursue improvements in product functions, production efficiency, design, packaging, and delivery. Korea, the world’s number one in terms of the number of high-speed Internet subscribers, is also number one in terms of the production of DRAM chips, LCD devices, CDMA products, and cell phones, yet none of them are their own invention. The education philosophy in America may be typified by the ‘show-and-tell’ class in elementary schools, whereas the Korean education is often self-criticized for its rote-memorization approach. A likely consequence is that Korean students tend to score high on written tests, yet do not necessarily perform well on presentations and group discussions (Lee, 2000).

When students are taught not to stick out, they will try to stay low. But when they are taught not to become another statistic, they will try to stick out. Thus, the American cultural soil is better to produce creativity. Pursuing specificity rather than fungibility, the pluralistic American culture prefers specialists to generalists. But that is not necessarily true in the homogeneous Korean culture where the traditional home has no separate functional rooms but only general-purpose rooms.

As versatile as the pronunciation of its vowel ‘a,’ America pursues the spirit of “E Pluribus Unum” literally, ethnically, politically, and economically. In today’s atomic economy and particle financial market, which is also the product of the individualistic American culture, people interact with multitudes of other people. Thanks to globalization and technological advancement, today one’s life touches, and is touched by, great many people most of whom are unknown. In such an environment maintaining trust and creditworthiness between interacting people is so vital because once they are lost the whole system would suffer greatly as we have recently witnessed through the great financial meltdown and the subsequent economic crisis in America.

More than ever societies need to promote sound ethical rules and guidelines that govern all of their constituencies in order to maintain civil order and achieve economic progress. In this context, the American culture’s so-called Good Samaritanism appears to bode well as it embraces broad ethical boundaries. But Koreans, who have relatively narrow Confucian ethical boundaries, are not accustomed to dealing with strangers (Chang, 2004). Nevertheless, a group-oriented conforming society like Korea can also run smoothly when people look the same, think the same, talk the same, and act the same.

The preceding discussion can be summarized as in Figure 1, which shows the culture-induced paradigmatic differences between the western and eastern economic/business systems as observed and discussed between America and Korea.
Figure 1: Paradigmatic Differences in Business System between West and East

**Culture and Philosophy**

<table>
<thead>
<tr>
<th>West (America)</th>
<th>East (Korea)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualism, Egalitarianism, Liberalism,</td>
<td>Collectivism, Paternalism, Formalism,</td>
</tr>
<tr>
<td>Pragmatism, Functionalism, Competition,</td>
<td>Nominalism, Conformism, Cooperation,</td>
</tr>
<tr>
<td>Meritocracy, Pluralism, Diversity</td>
<td>Forbearance, Homogeneity, Fungibility</td>
</tr>
</tbody>
</table>

**Economic System**

<table>
<thead>
<tr>
<th>Free Market Economy:</th>
<th>Controlled Economy:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible, Adaptable, Transparent, Mobile,</td>
<td>Regulated, Rigid, Collusive, Inert, Stable</td>
</tr>
<tr>
<td>Volatile</td>
<td></td>
</tr>
</tbody>
</table>

**Corporate System and Characteristics**

- Shareholders-driven Corporate Paradigm
- Consumerism, Profit-oriented
- Corporate Control: Hostile Takeovers, M&A
- Diffused, Transient, and Myopic Ownership
  - Market Efficiency,
  - Low Transaction Costs,
  - High Agency Costs,
  - Strong Shareholders Activism
- Strict Financial Disclosure and Auditing
- Financial Innovations and Breakthroughs

- Cross-ownership and Conglomeration
- Corporate Welfare and Growth-oriented
- Cooperation and Friendly Mergers
- Family-owned, Long-term Stockholding
- Information Asymmetry
- High Leverage Tolerance
- Cross-subsidization
- Reciprocal Trading
- Conservative Reserves and Allowances
- Gradual and Continuous Managerial Improvements (kaizen)
CONCLUSION - SEEKING THE BEST OF THE TWO CULTURES

In today’s borderless, invisible, cyber-connected, global economy (Ohmae, 2005), cultural competence is critical for corporate prosperity. Cultural competence means understanding the cultural dynamics of cross-border interactions and adapting corporate practices and management styles to differing business arenas. Unless and until the world is unified into a single universal culture, businesses will have to maintain a multifaceted, balanced approach compromising the interacting cultures. So, today’s business education should prepare culturally competent future corporate managers.

One of the focal issues in the multicultural discussion is the compatibility between the free enterprise paradigm footed on private ownership and strong individualism as in America and the highly regulated economic paradigm built around communitarianism as in Korea. These ideas may be opposing and at times conflicting, but they are not necessarily completely incompatible. Goodpaster (1997) identifies the concept of commensalism or symbiosis as the fundamental similarity between the two cultures. The development of moral theory in the East and the West may have taken different paths but they share essentially the same elements. The Korean word for symbiosis is congruent with the spirit embedded in the famed phrase from John F. Kennedy’s inaugural address, “Ask not what America can do for you, but ask what you can do for America.”

Nevertheless, because neither the Western nor the Eastern system is intrinsically good or bad, as presumed, we need to seek the best of the two worlds. It is rather enlightening to recognize that the idea of seeking the best of the two worlds is tantamount to pursuing the old Aristotelian golden mean of the West or the traditional yin-yang harmony of the East while avoiding excess or deficiency of a certain value.

In light of this, global businesses are called upon to adopt desired features of both Eastern and Western paradigms. For example, we can suggest management security and stability, risk sharing, productivity enhancement, stakeholder relationships, and job classification from the Korean system, whereas transaction cost reduction, capital availability, wage system, within-firm relations, small group activities, and innovation incentives from the American system (Abo 1994; Takahashi, 2005).

A society's economic and business paradigms are inevitably dictated by its historical legacy and cultural heritage. While every culture has unique strengths and weaknesses, culture-based institutions and behaviorism cannot be reformed easily or quickly. That is because cultures, philosophies, and value systems require a long period of time not only to form and accumulate but also to change, evolve, and develop.

Hence, an economic success or failure cannot be attributed solely to culture. Instead it is generally attributable to the ability of the society to build on the strengths found in the culture. The determining factor is not the culture itself, but people’s will to overcome any cultural deficiencies and weaknesses. It is largely up to enlightened leaders and educators to promote crosscultural understanding.
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