

(In)stability of Cultural Dimensions in Times of Financial and Economic Crisis?

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ABSTRACT

This paper explores the potential (in)stability of cultural dimensions by comparing societal culture data collected in the wake of current economic turbulences with data collected a decade ago. We review the main positions pro and contra stability of culture and propose two rival hypotheses targeted at the current financial and economic crisis as a strong external force potentially triggering culture change. We test these hypotheses by comparing societal culture data collected with the GLOBE questionnaire from students in 1999 and 2009. Additionally, we perform a series of within-samples analyses of the 2009 data in order to explore the impact of the crisis. The results show no significant differences between 1999 and 2009, while one of the within-sample analyses (testing the impact of personal exposure to the crisis) indicates significant differences for one dimension of societal culture practices, namely Performance Orientation. Furthermore, a factor representing perceptions of societal consequences emerges as a suitable predictor of Performance Orientation. The paper finishes with a discussion section including limitations and suggestions for future research.

1 INTRODUCTION

The dimensionalist approach to comparing cultures represents one of the main streams in the cross-cultural management field, with Geert Hofstede, Shalom Schwartz and Ronald Inglehart being labeled the “big three” representatives (Ester, Mohler & Vinken, 2006). The approach has its clear advantages, when it comes to comparing cultures in a structured way and is therefore well suited for the purposes of our study. Nevertheless, we are also aware of the dimensionalist approach’s downsides, as critics (e.g. McSweeney, 2002; Jacob, 2005; Earley, 2006) have pointed out serious disadvantages, such as methodological weaknesses, simplification, questionable meaning of the empirical results, as well as limited applicability for business practice.

Our study builds on the Austrian part of the GLOBE project (House et al., 2004), a recent large-scale research program in the dimensionalist tradition. We also follow GLOBE’s definition of culture as “shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives that are transmitted across generations” (House & Javidan, 2004, p. 15).

When it comes to stability versus instability of culture, the literature reveals little consensus. Many theorists have argued that societal culture is a relatively stable phenomenon. Hofstede (2001) postulated that a period of 50 to 100 years is needed for a measurable change along his cultural dimensions to occur. Consistent with this claim, several authors found Hofstede’s country scores to be robust even decades after initial data collection (e.g. Søndergaard, 1994; Merritt, 2000). With regard to different levels of culture, values are considered more stable than more superficial manifestations of culture such as artifacts. Especially those values that are “high in *centrality*, *pervasive*, and supported by powerful *sanctions* and high *consensus*” (Williams, 1979, p. 34, italics in original) seem resistant to change.

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In contrast to this stability assumption, researchers have also discussed the possibility of culture change. For example, Ferraro (1994) stated that “[a]ll cultures experience continual change” (p. 26). The following external and internal factors have been discussed in the literature as potential triggers for culture change:

- *Macro events*, i.e. strong external forces like war (Barker, Halman & Vloet, 1992; Hofstede, 2001)
- *Major economic changes* (Rotondo Fernandez et al., 1997; Inglehart, 2008) having led for example to the transition of industrial to post-industrial societies within Europe (Inglehart, 2008; Deutsch, Welzel & Wucherpfennig, 2008)
- *Regime effects* such as the influence of the communist regime on Central and Eastern European societies (Barker, Halman & Vloet, 1992)
- *Diffusion*, i.e. “borrowing from other cultures” (Ferraro, 1994), and *intercultural contact* (Berry, 2008)
- *Socio-demographic effects*, in particular generational replacement (Barker, Halman & Vloet, 1992; Ester, Braun & Mohler, 2006)

While these factors are intuitively appealing, there also exist empirical studies suggesting that societies may preserve their cultures even in the presence of strong external forces. For example, Adams (2003) found that despite intensive intercultural contact, Canadian values have not been significantly affected by the country’s influential neighbor, the United States. More drastically, Berry (2003) found that Estonian values did not change during the Soviet period, although up to 30% of the country’s population at that time was of Russian origin.

No matter what the triggering factor, cultures do not change “over night”. Williams (1979) argued that changes in the social environment do not necessarily result in the sudden abrogation of a particular value, but rather lead to a shift in emphasis in its orientation.

It is such shifts that our study is about to explore. We raise the question whether the current financial and economic crisis may represent an external force strong enough to trigger culture change. Media reports underscore the drastic scale of the crisis: Beginning in 2007, large financial institutions in the United States and Europe have been reporting losses due to excessive depreciation of financial instruments. National governments reacted by agreeing on bailouts and stimulus packages in order to back the economic system. Nevertheless, the financial crisis turned into an economic one causing recession in most of the developed economies (Economist, 2008). GDP forecasts for 2009 display the sharpest decline during the past decade not only in the United States (-2.9%) but also in the European Union (-4.0%) (Eurostat, 2009a). These developments are also reflected in rising unemployment rates. In March 2009, unemployment amounted to 8.5% in the United States and 8.3% within the EU. (Eurostat, 2009b).

Based on the above review of arguments pro and contra the stability of culture, we postulate two rival hypotheses. The first hypothesis reflects the argumentation that cultures are subject to change and zooms in on the current crisis as a strong external force potentially triggering a cultural shift.

Hypothesis 1: The current financial and economic crisis has an impact on societal culture dimensions.

In contrast, the second hypothesis reflects the arguments in favor of cultural stability, suggesting that the present crisis is not drastic enough to serve as a so-called macro event.

Hypothesis 2: The current financial and economic crisis does not have an impact on societal culture dimensions.

2 METHOD

2.1 Instrument

We employed a quasi-longitudinal design. The scores typically derived for different dimensions in such large-scale comparative studies as published by Hofstede (2001) or the GLOBE project (House et al., 2004) originate from data collection at a single point in time. Such snapshots are justified under the assumption of cultural stability. However, if cultures are assumed to undergo change, data collection at different points in time is required. Our paper presents the initial step of a larger research program in this direction.

In order to test the potential instability of cultural dimensions, we employed the GLOBE societal culture questionnaire (House et al., 2004) at two points in time, namely in 1999 and 2009. The questionnaire uses 7-point Likert scales and asks informants to state their perceptions of 78 items relating to nine societal culture dimensions (see Table 1). Half of the items deal with the practices representing how things are in society. The other half covers espoused values representing how things should be in society.

Table 1: GLOBE Dimensions of Societal Culture (House & Javidan, 2004, p. 11ff)

Dimension	Definition
Assertiveness	Assertiveness describes the degree to which individuals in a society are assertive, confrontational, and aggressive in social relationships.
Future Orientation	Future Orientation measures the extent to which societies engage in future-oriented behaviors such as planning, investing in the future, and delaying individual or collective gratification.
Gender Egalitarianism	Gender Egalitarianism describes the extent to which a society minimizes gender role differences while promoting gender equality.
Humane Orientation	Humane Orientation describes how much a society encourages and rewards its members for being fair, altruistic, friendly, generous, caring, and kind to others.
In-Group Collectivism	In-Group Collectivism is the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.
Institutional Collectivism	Institutional Collectivism is concerned with the degree to which societal institutional practices encourage and reward collective distribution of resources and collective action.
Performance Orientation	Performance Orientation describes the degree to which a society encourages and rewards its members for performance improvement and excellence.
Power Distance	Power Distance specifies the extent to which members of a society expect and agree that power should be shared equally in that society.
Uncertainty Avoidance	Uncertainty Avoidance captures the degree to which members of a society strive to avoid uncertainty by relying on established social norms, rituals, and practices.

The questionnaire also contained a short description of the project, instructions for completion, and a short demographic section. For the 2009 version of the questionnaire, we developed a pool of 16 questions relating to the current financial and economic crisis using 7-point Likert scales. Participants were asked to respond to such statements as “I am of the opinion that compared to a decade ago the economic situation in Austria has: strongly improved vs. strongly worsened” or “The financial crisis makes me feel insecure: strongly agree vs. strongly disagree”.

2.2 *Subjects*

In 1999, we collected 70 questionnaires from Austrian students in the Faculty of Business and Social Sciences, with some 87% studying Business Administration. The average age was 21 years, 56% of the student sample was female. In 2009, we collected 73 questionnaires from students of the same faculty, 89% of which studied Business Administration. The age average was 23 years, and there were 56% female students among the respondents. The two samples consisted of exclusively Austrian citizens, who were native speakers of German and had an Austrian family background.

2.3 *Procedure*

The questionnaires we handed out were in German language. As for the GLOBE items, we used the validated translation of the original GLOBE questionnaire. In 1999, we distributed the questionnaires at the end of lectures and seminars and collected them one week later. In 2009, the questionnaires were administered during classes. Completion of the questionnaire took about twenty minutes.

2.4 *Analyses*

To test the rival hypotheses regarding a potential effect of the current crisis on societal culture dimensions, we conducted three different analyses. In Test I, we conducted analyses of variance of the 1999 and 2009 samples in order to identify whether any significant changes in the dimensions could be observed. For Test II, we performed analyses of variance to compare the means of those students in the 2009 sample who had indicated to be personally affected by the crisis, with the means of the remaining students. Test III consisted of a two-step hierarchical regression analysis in order to test the effects of the economic crisis on societal culture dimensions. For this purpose, we conducted an exploratory factor analysis of the 16 crisis-related questionnaire items and used the factors with the highest factor loadings as independent variables in the regression analysis.

3 RESULTS

3.1 *Descriptives*

Table 2 presents the means, standard deviations and correlations for each dependent variable, depicted separately for the “As Is” (practices) and “As Should Be” (values) scales. There are only weak correlations among the dependent variables. This corresponds with the findings presented by Hanges et al. (1998) for the world-wide GLOBE data covering 61 societies and indicates that our dimensions measure discrete constructs.

Table 2: Descriptive Statistics

	Mean	Std.Dev.	1	2	3	4	5	6	7	8
Practices ("As Is")										
1. Assertiveness	4.33	.86								
2. Future Orientation	4.69	.89	.31**							
3. Gender Egalitarianism	3.78	.71	.03	.08						
4. Humane Orientation	4.08	.82	-.21*	-.41	-.10					
5. In-Group Collectivism	4.58	.77	.02	.04	-.02	.19*				
6. Institutional Collectivism	4.58	.78	.11	-.10	-.05	-0.07	.06			
7. Performance Orientation	4.44	.98	.32**	.31**	.12	.25**	.21*	-.64		
8. Power Distance	5.13	.78	.11	.03	-.23**	-.30**	-.04	-.02	-.16	
9. Uncertainty Avoidance	5.27	.70	.04	.32**	.07	.14	.08	-.02	.20*	.00
Values ("Should Be")										
1. Assertiveness	3.00	0.95								
2. Future Orientation	4.34	1.07	.1							
3. Gender Egalitarianism	5.12	0.73	.02	.28**						
4. Humane Orientation	5.64	0.67	-.08	.20*	.01					
5. In-Group Collectivism	5.61	0.96	.13	.10	.14	.06				
6. Institutional Collectivism	4.54	0.82	-.03	.05	-.21*	-.09	-.12			
7. Performance Orientation	6.07	0.62	-.10	.04	.03	-.01	.2*	.01		
8. Power Distance	2.36	0.85	-.11	-.20*	-.18*	.20*	.09	.01	-.02	
9. Uncertainty Avoidance	3.69	0.83	.22*	-.12	-.12	.19*	.04	-.05	.03	-.05

* $p < 0.05$; ** $p < 0.01$

3.2 Test I

In a first step, we applied analyses of variance of the nine cultural dimensions separately for the “As Is” and “Should Be” scales in order to test whether the data suggest any societal culture change. Year of data collection (1999 vs. 2009) served as independent variable.

The left part of Table 3 presents the results of the analyses of variance for the 18 variables. No significant difference emerged between the data collected in 1999 and 2009.

Table 3: Analyses of Variance

	Data 1999		Data 2009		Data 2009	Data 2009	F	p
	Mean (M ₁) n=70	Mean (M ₂) n=73	Mean (M ₁) n=45	Mean (M ₂) n=28	“not affected by crisis”	“affected by crisis”		
Practices (“As Is”)								
1. Assertiveness	4.38	4.29			4.26	4.33	.13	.72
2. Future Orientation	4.54	4.83	3.78	.05	4.77	4.92	.48	.49
3. Gender Egalitarianism	3.68	3.88	2.72	.10	3.90	3.85	.10	.75
4. Humane Orientation	4.03	4.12	.39	.53	4.08	4.18	.25	.62
5. In-Group Collectivism	4.6	4.57	.07	.79	4.57	4.55	.01	.91
6. Institutional Collectivism	4.69	4.48	2.53	.11	4.51	4.43	.19	.66
7. Performance Orientation	4.33	4.55	1.81	.18	4.26	5.02	11.95	.00
8. Power Distance	5.17	5.10	.29	.59	5.14	5.03	.32	.57
9. Uncertainty Avoidance	5.24	5.29	.19	.66	5.21	5.43	1.70	.2
Practices (“Should be”)								
1. Assertiveness	3.14	2.87	2.83	.10	2.79	3.01	1.06	.31
2. Future Orientation	4.37	4.31	.11	.74	4.40	4.17	.78	.38
3. Gender Egalitarianism	5.16	5.09	.35	.56	5.18	4.94	1.61	.21
4. Humane Orientation	5.66	5.61	.21	.65	5.52	5.76	1.88	.17
5. In-Group Collectivism	5.60	5.63	.06	.81	5.58	5.71	.35	.56
6. Institutional Collectivism	4.55	4.54	.01	.94	4.56	4.51	.06	.80
7. Performance Orientation	6.06	6.09	.07	.79	6.07	6.12	.10	.75
8. Power Distance	2.23	2.49	3.36	.07	2.41	2.62	.98	.32
9. Uncertainty Avoidance	3.65	3.73	.33	.57	3.70	3.76	.10	.76

3.3 Test II

Our second test aimed at exploring whether there were any crisis-related items that might be linked to significant differences in the assessment of societal culture within the 2009 sample. This within-sample analysis had the advantage of excluding possible influences of other variables that may have brought about the results in Test I. We focused on the two items reflecting personal exposure to the crisis (“I believe my level of information concerning the financial crisis is: very high vs. very low” and “I am personally affected by the financial crisis: very positively vs. very negatively”) because only these people would have reason to change their assessment of society at this point in time. We split the sample into two groups.

For the first analysis, we contrasted respondents with high levels of information with those showing moderate to low levels of information. This did not result in significant differences in means between the two 2009 groups on the societal culture dimensions except for Gender Egalitarianism “Should be” (M₁=4.93 vs. M₂=5.43; p<.01). However, this result was found to be due to a gender effect and therefore not directly attributable to the crisis.

For the second analysis, we contrasted respondents that had indicated to be personally negatively affected with those who had indicated to be positively affected or not affected at all. The right part of Table 3 displays the results of the analyses of variance, indicating that there is a significant difference in means between the two 2009 groups (M₁=4.26 vs. M₂=5.02; p<.01) in Performance Orientation “As Is”. A direct comparison of the two groups

with the 1999 sample on this dimension brought about a significant difference in means ($p < .00$) for those personally affected. Taken together, these two results suggest a link between the crisis and change in cultural practices related to performance orientation, but only in the eyes of those personally affected by the crisis.

3.4 Test III

In order to further examine the potential effects of the current financial and economic crisis on societal culture dimensions we first performed an exploratory factor analysis of the 16 crisis-related questionnaire items with the goal to enter any emerging factors into a subsequent regression analysis. Six factors emerged with eigenvalues greater than one. Three of these factors displayed the required unidimensionality with factor loadings above the recommended level of .60. (Nunnally, 1978). They explained a total variance of 45.16 %.

The first factor consisted of three items (e.g. “I am of the opinion that compared to a decade ago the economic situation in Austria has: strongly improved vs. strongly worsened”). The Cronbach α coefficient indicating internal consistency of this factor was .67. We labeled this factor *Economic Situation* as it entailed items related to the general assessment of the current economic situation in Austria. The second factor also consisted of three items (e.g. “Because of the financial crisis society in Austria will: strongly change vs. not change at all”) and had a Cronbach α coefficient of .72. This factor was labeled *Societal Consequences* because all contained items related to the anticipated change of Austrian society as a consequence of the financial crisis. The third factor had to be dropped because of lack of internal consistency (Cronbach α of .56).

We examined the impact of the two factors on Performance Orientation “As Is” (the one variable with significant results in our earlier analyses) by conducting a two-step hierarchical regression analysis (see Table 4). Sex, age, and the variables Personally Affected and Level of Information (resulting from Test II) were used as control variables and thus entered in the first step. In the second step, we entered the two factors derived from the previous exploratory factor analysis, namely Economic Situation and Societal Consequences. The resulting model explains 21 % of variance, with the factor Societal Consequences adding significantly to the prediction of Performance Orientation “As Is” ($\beta = -.28$).

Table 4: Two-step Hierarchical Regression Analysis Examining the Effects of Economic Situation and Societal Consequences on Performance Orientation “As Is”

	Step 1				Step 2		F	R ²	Adj. R ²
	Sex	Age	Personally Affected	Level of Information	Economic Situation	Societal Consequences			
Step 1	.14	.00	.30*	-.05			2.42	.13	.07
Step 2	.06	.01	.31**	-.06	.10	-.28	2.98*	.21	.14

* $p < 0.05$; ** $p < 0.01$

3.5 Summary

As the above tests have shown, there are no significant differences between the 1999 and 2009 samples regarding societal culture values and practices. However, distinguishing between those people that are affected by the crisis and those that are not, resulted in significant differences in the means of Performance Orientation “As Is”. Societal Consequences emerged as a suitable predictor of Performance Orientation “As Is”. How these results may be interpreted is further elaborated on in the discussion section.

4 DISCUSSION

This study provides the starting point for a larger research program examining culture change. Within the literature, there is little consensus regarding the (in)stability of culture. Therefore, it is unclear whether crises such as the current one can be powerful enough to change cultural practices and values, and if so, what the underlying dynamics are. To move the discussion forward, we examined to what extent societal culture dimensions have undergone change between 1999 and 2009 and whether these can be attributed to the current financial and economic crisis.

Our Test I findings suggest that on the surface, the current crisis has not led to a significant change in societal culture values and practices so far. As indicated by Hofstede and Hofstede (2005), it is especially the values representing the preferred states of societal culture that are slow to change. In contrast, the actual practices of individuals representing the more superficial levels of culture may change more easily. This is what we also found in our study. While the *values* remained stable, we see indication for change in *practices*. It is practices related to Performance Orientation that represent significant differences within the 2009 sample, depending on whether the individuals are personally affected by the crisis or not. This suggests that a crisis such as the current one may lead to rethinking and possibly questioning established practices of society at large starting with those that are directly affected. Whether further changes induced by the crisis can be observed will subsequently depend on how long the crisis will endure and on how many people will be directly affected by it.

In addition, the question arises to what extent the change observed in Performance Orientation “As Is” leads to a more comprehensive change in patterns of culture, and if so, within which time frame. One can think of three possible dynamics. First, the change in specific practices may bring about change in underlying values. Second, it may trigger change in other societal culture dimensions at the level of practices. Third, interaction effects between the two levels may be possible. An assessment of these dynamics of culture change provides an interesting avenue for future research.

As this study is exploratory in nature, the results are preliminary and subject to limitations. First, we used two rival hypotheses as a starting point for assessing within-society culture change. Future studies should develop more specific hypotheses based on theory, indicating which societal culture dimensions are likely to change and why. Second, the GLOBE instrument was originally designed for cross-cultural comparison. In this study, however, it was applied to assess change in the societal culture dimensions within Austria. Third, the crisis-related questionnaire items need further refinement in order to draw a more differentiated picture of the effects of such a crisis. Fourth, the sample consisted of students, which may not have been as exposed to the crisis as other people in Austrian society. Therefore, future data collection should include a representative sample of the Austrian working population.

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