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Cultural Dimensions of Human Capital Development

Global Networks, Global Perspectives and Global Talent
Discussions on the Development of Human Capital in Agribusiness¹

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Abstract

Communication and information technology is making the world more flat by connecting people far and wide. The expanded reach exposes the user to the rugged terrain of human capital and associated cultures. Hofstede's research (1980, 2001) gives a framework for understanding cultural dimensions of countries and organizations. Examples are provided illustrating the challenges facing managers that work internationally.

Keywords: cultural dimensions, human capital, power distance, uncertainty avoidance, acculturation

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In his bestselling book, *The World Is Flat*, Thomas Friedman (2006) narrates descriptive accounts of the changes taking place in people's lives driven by advances in communications and information technology, and how that technology is connecting people far and wide as never before. The book gives definition and scope to the popular term "global village." Anyone observing people who work in agribusinesses from the producer to the senior executive, regardless of country, see ever-present evidence of the technology: cell phones, iPads, laptops, the Internet, Skype, texting, Facebook and 24/7 connections via email to colleagues, customers, and family. The technology facilitates the conduct of agribusiness and in a very visible, tangible way, raises the productivity of human capital. While the technology is flattening the world by expanding a person's global reach and increasing the frequency of interaction, there are still mountains and valleys across the human capital terrain of the world. If anything, the expanded global reach more readily exposes the technology user to the rugged terrain of human capital. On the one hand the world is becoming more flat, and on the other, it looks more rugged. Why is this and what can be done regarding the development of human capital for the global agribusiness community?

The rugged terrain of human capital, unlike tangible communications technology, comes from the intangible characteristics intrinsic to a person and the society in which that person lives. For the person these include emotions, egos, confidence, determination, motivation and values. Conditioning those intrinsic characteristics of a person are the cultural dimensions – norms, values and beliefs of the society in which a person grows up and lives. Many times they are unwritten but nevertheless clearly understood and applied. Society's cultural dimensions are embedded in a unit as small as two people, continuing on up to a family, a town, city, state and nation.

Cultural Dimensions of Countries

A framework for understanding the cultural dimensions in our global village comes from research by Geert Hofstede (1980, 2001). Working as a management trainer and manager of personnel research, Hofstede applied employee opinion surveys to over 70 national subsidiaries of IBM across Europe and the Middle East. He found that national cultural differences were due to a shared set of socialization skills specific to people growing up in the same country. Hofstede defined five dimensions of national culture and of the five, two stand out when applied to the development of human capital. They are:

1. Power Distance Index (PDI) measures the extent to which the less powerful members of organizations and institutions (like the family or students in school) accept and expect that power is distributed unequally.
2. Uncertainty Avoidance Index (UAI) measures of society's tolerance for uncertainty and ambiguity. It indicates to what extent culture conditions its members to feel either comfortable or uncomfortable in unknown, unstructured or surprising situations.

When doing business with an organization in a country, there are two questions about how it will be conducted. Who has the power to decide what? What rules or procedures will be followed? The answers come from the cultural dimensions of Power Distance and Uncertainty Avoidance. The following figure shows the relative rankings of selected countries for two of the dimensions.

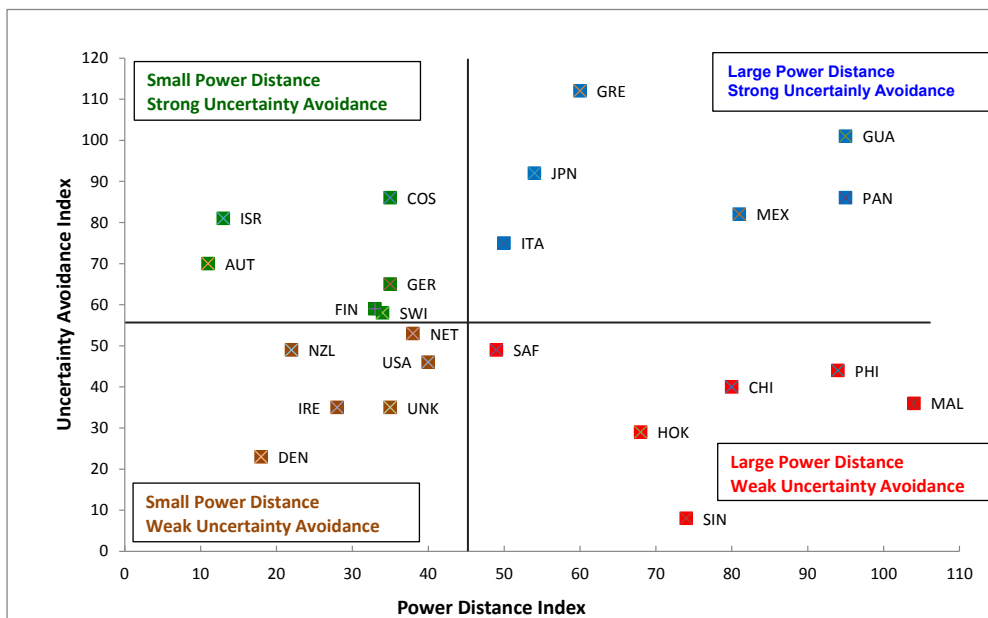


Figure 1. Power Distance Index
Source. Data for the figure comes from Hofstede (2001).

Cultural Dimensions of Organizations

In addition to the cultural dimensions of a country, Hofstede (2001, 373-421) expanded his research to include cultural dimensions of organizations such as companies. He found that while national cultures differed primarily in their values, organizational cultures differed mainly in their practices. A major part of the differences are explained by six independent dimensions of perceived practices reflecting an organization’s culture. They are:

- Process-oriented versus results-oriented
- Employee-oriented versus job-centered
- Parochial versus professional
- Open system versus closed system
- Loose control versus tight control
- Pragmatic versus normative

While discussions about communications technology along with national and organizational cultures are interesting from an academic perspective, what are the problems that can arise when addressing the development of human capital, especially for the global agribusiness community?

Acculturation

When a person takes a job assignment that geographically moves them from his or her home country – the place where they developed a mental state of mind for both national and organizational cultures – there arises the possibility of cultural shock and expatriate failure. In making the move, the acculturation process is composed of four periods. The first is euphoria where the excitement of travel and being in a new country dominate. The second is cultural shock where real life starts in the new environment. The third is acculturation where the employee has learned to function in the new living and work environment, has adopted some of the local practices, developed some self-confidence, and integrated into a new social network. The fourth is the stable state of mind where the employee concludes that the living and work environment are either: (a) worse than compared to home, (b) as good as at home and cultural adaption has been achieved, or (c) better than at home and the employee has “gone native.” Cultural shock and the corresponding physical and social symptoms may become so problematic that an expatriate’s assignment has to be terminated early.

Midwesterners in an Asian Ministry of Agriculture

As an anecdotal example, my first job experience involved a two year assignment in a large Asian country working in the Ministry of Agriculture. Five fellow employees and their families all came from a Midwestern US background. The living arrangements were very good with each family having their own house, a maid, a variety of food and other consumables, a car and driver to and from work. We were well paid and expenses were much less than in the US. Opportunities to see and tour different parts of Asia and its cultures were readily available. For our new work environment, we received no background on the country's culture, as defined by Hofstede, and even more critically, no framework for coping with the organizational culture in the Ministry. Early on, there were regular comments of discontent among a third of the group, both with the work situation and the difficulties family members were having in their new home. In this real-life example, expatriate failure was manifested as one-third of the group returned to the US before the end of their two year assignment. Consistent with the four periods of the acculturation process, I concluded that of the expatriates I met and talked to, roughly one-third strongly disliked living and working abroad, one-third found it acceptable, and one-third liked their foreign situation. (As a side note, my family and I ended up in the accepting category).

Professor as an Advisor and Teacher

While serving as the Head of a Department of Agricultural Economics in the US, one of our full professors took a two-year assignment as an economic advisor to the government and Chamber of Commerce for a country in the Middle East. The professor came from a home country and society that had a similar ethnic background and the same language as the host country. Upon arrival at the first day of work someone showed him the available offices located with the rest of the staff. The professor, being a modest person, saw some good choices and thought he was being treated very well. Almost immediately, the Director General of the government agency informed the staff that the new advisor would have the large, well-appointed office, next to his. The professor realized who had the power to decide what and that the cultural dimension of Power Distance was at work in a way he had not experienced as a faculty member in the US.

One of the professor's responsibilities was to teach a course in managerial economics to MBA students who were members of the Chamber of Commerce. To his great surprise and consternation, it was clearly explained that he was to follow the course outline to the letter and teach the explicitly prescribed content. Any modifications required approval by the administration. The cultural dimensions of Uncertainty Avoidance along with tight control by the school organization were clearly evident. This was contrary to his twenty plus years of teaching in the US where he was allowed to reasonably determine content subject to a course description approved by the department – a situation of lower Uncertainty Avoidance and loose organizational control. Over time, the professor adjusted to the different situation and came to appreciate the cultural dimensions of the host country.

Grade School Children in Rural China

Scott Rozelle is the Helen F. Farnsworth Senior Fellow and the co-director of the Rural Education Action Program (REAP) in the Freeman Spogli Institute for International Studies (FSI) at Stanford University (Rozelle, 2012). At a conference (REAP, December 2011), Dr. Rozelle documented action research he and colleagues did on the effects of iron deficiency anemia on academic performance of grade school children in rural China (Rozelle and REAP Partners). The empirical study of 4,000 students in rural Shaanxi Province found that 39 percent had anemia. In some schools it was as high as 70 percent. Rozelle showed that an intervention program providing one multi-vitamin per day with 5 mg. of iron, over a seven-month time period and at a cost of around four cents per day, resulted in standardized math test scores improving by 0.3 standard deviations. It was a statistically significant improvement. Students in the control group had no improvement. Rozelle also reports on additional sources causing low academic performance.

To place the situation in context, he compared China to another developing country that did not solve its rural education problems. The implication was that over the next decade a large segment of human capital would be unable to join the global labor force. He persuasively argues that a dangerous human capital gap could develop in China resulting in an estimated 100 million unemployed – 70 percent unmarried, who would seek employment in the informal economy or refuge in organized crime. The silver lining Rozelle offered was that there is still time, starting right now, to alleviate future problems.

As he presented the research findings, cultural dimensions affecting human capital became apparent. In a report to the Center for Disease Control in China stating that there are still high rates of anemia, the Center's response was, "It must be those guys for Shaanxi ... they have never had good diets...." Of the six perceived practices reflecting an organization's culture, this appears to be parochial versus professional. From the Ministry of Education the response was, "What does health and nutrition have to do with education?" While the Ministry of Health said, "We know this / tell us what to do about it...." The Ministry of Education sounded like a normative culture versus the Ministry of Health that was pragmatic.

Role of IFAMA

What, if anything, can the International Food and Agribusiness Management Association (IFAMA) do with regard to the cultural dimensions of human capital? Given IFAMA's conference program adaptability, it can provide practitioners with education and insights on the national and organizational dimensions of culture that affect global agribusinesses. IFAMA's membership of business managers, students and professors – all from a variety of countries and cultures – have informed experiences consistent with Friedman and Hofstede. The learning from shared cases could lower the incidence of expatriate failure, and help those in a global agribusiness career work in the rugged terrain of human capital.

But, what about the bigger picture beyond the private sector needs? What about public policy and programs for the large scale development of human capital as argued by Rozelle for China? Should IFAMA limit itself to just the traditional private sector needs for human capital, or should it include public policy and programs as well?

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