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Icelandic National Culture compared to National Cultures of 25 OECD member states using VSM94

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Abstract

Researchers such as Hofstede (2002) and House, Hanges, Javidan, Dorfman and Gupta, (2004) have defined well-known cultural clusters such as, Anglo, Germanic, and Nordic cultural clusters. However, Iceland was not incorporated in these studies and therefore the research question of this paper is: *In relation to Hofstede´s five cultural dimensions where does Iceland differ in relation to 25 of the OECD member states using VSM94?* A questionnaire was sent to students at the University of Iceland, School of Social Sciences by e-mail in October 2013. The five dimensions of national culture were measured using scales developed by Hofstede called VSM 94. The results indicated that Iceland differs considerably from nations such as Slovakia, Japan, India, Thailand and China, which were found high in PDI and the MAS dimension while Iceland was found to be high in IDV and low in PDI. When considering the 25 OECD countries, Iceland is more similar to the Anglo cluster, C3, Canada, New Zealand, United Kingdon, Australia and United States than the Nordic cluster, C1 i.e. Denmark, Sweden

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and Norway. Iceland is similar to those countries in relation to high IDV, low PDI but differs in the dimensions MAS and UAI where Iceland scores higher.

Keywords: National Culture; cultural dimensions; VSM94; Iceland; OECD

Íslensk þjóðmenning borin saman við þjóðmenningu 25 aðildarríki OECD með því að nota VSM94.

Útdráttur

Fræðimenn eins og Hofstede (2002) og House et al. (2004) hafa flokkað samfélög í vel þekkta menningarklasa eins og engilsaxneskan klasa, germanskan klasa og norrænan klasa. Hins vegar hefur Ísland ekki verið getið í þessum rannsóknum og þess vegna er rannsóknarspurning þessarar greinar: *Með hliðsjón af hinum fimm menningarvíddum sem kenndar eru við Hofstede, hvernig er* þjóðmenning Íslands *frábrugðin* þjóðmenningu *25 landa innan OECD?* Spurningalisti, VSM94, var sendur til nemenda á félagsvísindasviði Háskóla Íslands í október 2013. Niðurstöðurnar sína að Ísland er talsvert frábrugðið löndum eins og Slóvakíu, Japan, Indlandi, Tælandi og Kína sem skoruðu hátt á þjóðmenningarvíddunum valdafjarlægð og karlægni á meðan Ísland skoraði hátt á einstaklingshyggjuvíddinni en lágt á valdafjarlægðsvíddinni. Ef 25 lönd innan OECD eru skoðuð, þ.e. þau lönd innan OECD sem hafa mælt langtímahyggjuvíddina, er Ísland mun líkara engilsaxneska klasanum, C3, Kanada, Nýja - Sjálandi, Bretlandi, Ástralíu og Bandaríkjunum en norræna klasanum, Danmörku, Svíþjóð og Noregi. Ísland er svipað þessum löndum þegar kemur að einstaklingshyggjuvíddinni sem er há, valdafjarlægðsvíddin er lág og karllæga víddin og óvissu-hliðrun víddin er á hinn bógin hærri á Íslandi.

Efnisorð: Þjóðmenning; menningarvíddir; VSM94; Iceland; OECD

Introduction

National culture has been the topic of many papers and research in the field of social science. Many researchers have attempted to explain the relative homogeneity of the Nordic countries (Hofstede 2001; House et al. 2004). The term Nordic refers exclusively to the five Scandinavian countries (Denmark, Finland, Iceland, Norway, and Sweden) with their model of welfare state, common history, culture, religion and similar languages. Studies exploring language, religion, geography and technological development have indicated that Denmark, Finland, Iceland, Norway, and Sweden belong to a common Nordic group. When it comes to cultural studies Iceland has been been ignored and is still being treated as a part of the Nordic counties, when it comes to national culture. A prior study by Gudmundsdottir, Adalsteinsson and Gudlaugsson (2014) shows that within the Nordic cluster, Denmark, Norway and Sweden clustered together while Iceland differs. The purpose of this study is to explore the where Iceland is located when it comes to national culture in relation to Hofstede's five dimensions: Power distance (PDI), Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance (UAI) and Long Term Orientation (LTO). The research question is:

In relation to Hofstede´s five cultural dimensions where does Iceland differ in relation to 25 of the OECD member states using VSM94?

Questionnaires were sent by e-mail in the fall of 2013. The five dimensions of national culture were measured using scales developed by Hofstede called VSM 94. The remainder of this paper is organized as follows: Section two provides the literature review and section three describes the methodology. Section four discusses the results and finally, section five provides discussion and concludes the paper.

1. Literature Review

The concept of culture has been broadly defined as a set of communication habits, norms, values which the community shares. All members of a culture are believed to go though a socialization process, whereby a new member of a society is inculcated with a set of norms, values, attitudes and knowledge. Through this process, individuals learn to think in a certain manner and also learn to understand and interact with other people. The socialization process starts from the first moments of life at home and continues in schools and other functional parts of the society (Hofstede 2001; House et al. 2004).

A well-known researcher in the field has argued that culture is "the collective programming of the mind which distinguishes the members of one human group from another." (Hofstede 2002, 25). National cultures are dynamic and are constantly exposed to changes in the environment such as technological, political and legal, changes. However it has been argued that culture is rather constant over time and changes are minimal (Harrison and Huntington 2001). Due to globalization the interaction between individuals from different cultures has become important in the global arena (Clausen 2010) and many organizations have for example utilized the difference in national cultures for entering new markets and areas (Shiou and Tong 2008).

On the individual level cultural differences have been well documented (Engwall 1996; Smith, Andersen, Ekelund, Graversen and Ropo 2003) and research has indicated that cultural differences between individuals can lead to misunderstandings, misinterpretations, frustration and even conflicts demanding relationships (Engwall 1996). As a result, individuals may be less willing or able to perform their work well (Newman and Nollen 1996; Testa 2004). Therefore, management practices that have been found to reinforce national cultural values are more likely to encourage predicable behavior (Wright and Mischel 1987), self-efficacy and high performance (Earley and Singh 1995).

There are many researchers who have attempted to explain the relative homogeneity of the Nordic countries. Prior studies that have explored language, religion, geography and technological development have indicated that Denmark, Finland, Norway, and Sweden belong to a common Nordic group (Hofstede 2001; House et al. 2004). However Iceland has been systematically ignored in the cultural research and is still being treated as a common block with the other Nordic counties (Gudmundsdottir, Adalsteinsson and Gudlaugsson 2014; Gudlaugsson, Adalsteinsson and Gudmundsdottir 2014). The national cultural characteristics have been used in research in for example

marketing, safety orientation and human resource management, as well as in relation to general management (Petersen, Kushwaha and Kumar 2015; Havold 2007; Phua 2012). In relation to management practices for example the Nordic countries has been documented to incorporate a widespread feeling that business needs to be controlled and employees need to be treated in a socially responsible way (Brewster 2007; Smith, et al. 2003). The management of employees in the Nordic countries is considered more decentralized and democratic, where the organization charts are often flat and the hierarchical differences between individuals is very little (Tizier 1996).

It has been over forty years since Hofstede´s study on cultural values was introduced. Hofstede's research and his representation of management within different cultures have had a major influence on people´s understanding of national culture in different countries. His research allowed us to gain a greater understanding of cultural differences between nations and his work is one of the most comprehensive and cited research (McSweene 2002; Shi and Wang 2010).

In the original framework, Hofstede introduced four dimensions of culture: Power distance (PDI), Individualism (IDV), Masculinity (MAS), and Uncertainty and Avoidance (UAI) (Hofstede 2001). Hofstede and Bond (1988) later added the fifth dimension to the framework, called Confucian dynamism that was later renamed by Hofstede as Long-term orientation (LTO).

The PDI dimension has been categorized as levels of inequality in organizations, which Hofstede claims will depend upon management style, willingness of subordinates to disagree with superiors, and the educational level and statues accruing in particular roles. PDI serves as an indicator for relational inequality and can be used to examine distributive justice at the national level (Hofstede 1991, 2001). The IDV dimension in Hofstede's model serves as bipolar variables. It describes the relatively individualistic or collectivist ethic evident in a particular society. Hofstede (1991) argues that in collectivist societies, children grow up learning to identify themselves as members of a group (initially a family) and that they learn quickly to distinguish between in-group members and out-group members. As they grow, they remain loyal to their group. In individualistic societies, however, children learn to think of themselves as "I" instead of 'we" and learn that they will someday have to make it in a society on their own merits (Hofstede 1991, 2001). The MAS dimension is considered bipolar ranging from masculinity to femininity, so is the IDV dimension, ranging from individualism to collectivism. Values such as assertiveness, performance, success and competition are measured to see to what degree they dominate over the more feminine or masculine values. Countries that score high on masculinity could be expected to have leaders who are performance, success and competitive driven. On the other hand, countries that score lower on MAS (and are considered more feminine), could be expected to have leaders that emphasize the need for personal relationships, quality of life, and caring for the elderly and show concern with the environment (Hofstede 1991, 2001). The UIA dimension has been defined as the degree to which people prefer to experience structured over unstructured situations. It declares how clear the rules for behaviour are for any given situation. The rules may be expressed or they may be unwritten and simply a matter of custom or tradition (Hof-

stede 1991, 2001). Hofstede (2001) argues that societies with strong UIA have a scheme for situations and feel that what is different is dangerous, while countries with low UIA don't experience differences as a threat. The LTO is a dimension that is concerned with the Confucian ideal and refers to values such as persistence and thrift, past and present orientation, respect for tradition and fulfilling social obligations (Bond and Chi 1997).

Hofstede´s findings has been criticized. Smith, Dugan and Trompenaars (1996) and House et al (2004) criticize how few dimension he uses and it´s impossible for one person to create a questionnaire which measure the national culture of a whole nation. Baumgertel and Hill (1982) put forward their criticism, saying that the data from 1968 and 1973 can only describe the culture at that time and many things have changed since then. Javidan, House, Dorfman, Hanges and de Luque (2006) have pointed out that the model is fairly descriptive of the period during which the data was collected and since then there has occurred numerous social changes in the world, technology is much more advanced, travel between countries has increased and the internet has changed communication between individuals. Bond and Chi (1997) have as well criticized the model in such a way that the five dimensions tends to generalize certain national characteristics from ethnicities. Kanter (1991) has further argued that one should be aware of generalizing about the Americans individualism from Hofstede´s measurements. Although the score is high on the IDV dimension it doesn´t necessary mean that the general public in the USA is extremely indvidualistic.

Since Iceland was not been a part of the major studies on national culture such as by Hofstede (2002) or House et al. (2004). Gudmundsdottir, Adalsteinsson and Gudlaugsson (2014) conducted a study to investigate how Iceland compared to the other Nordic countires, Denmark, Finland, Norway, and Sweden in relation to Hofstede´s cultural dimensions. The results indicated that within the Nordic cluster, Denmark, Norway and Sweden clustered together while Iceland and Finland had the UAI in common but differed considerably in relation to IDV and MAS. Since Iceland did seem to be an outlier in the Nordic cultural mapping. A follow up study was conducted by the same authors in 2014 (Gudlaugsson, Adalsteinsson and Gudmundsdottir 2014), where Icelandic national culture was compared to two other clusters, the Anglo cluster (Australia, Ireland, United Kingdom and United States) as well as the German cluster (Austria, Germany, Netherlands, and Switzerland). The results indicated that Iceland was different from the Anglo cluster in relation to high scores for LTO and UAI and low scores for MAS. When Iceland was compared to the Germanic cluster Iceland was found to be different based on high scores for LTO and low scores for MAS. In relation to the Germanic Cluster Iceland seemed to have most communalist with the Netherlands.

Since Iceland was found to be an outlier within the Nordic, Anglo and Germanic cultural cluster it would be of interest to investigate further if Iceland´s national culture is more related to any of the member states of OECD. The OECD is a forum where the governments of 34 democracies work together to address the economic, social and environmental challenges of globalization. The OECD provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practices and work to co-ordinate domestic international policies.

A study by Belot and Ederveen (2012) examined the cultural barriers in migration between 22 OECD countries and the results indicated that cultural barriers play a crucial role in migration. The OECD has also published number of articles and book chapters on culture, but none where found comparing national culture of member states by using VSM94. In this paper we compare Iceland to 25 of OECD countries. They are; Denmark, Sweden, Norway, Finland, United States, United Kingdom, Ireland, Australia, Canada, New Zealand, Belgium, Austria, Germany, France, Spain, Netherlands, China, Thailand, India, Japan, Italy, Czech Republic, Poland, Slovakia and Hungary. Those countries that are excluded have not beed measured on the LTO dimension.

Methodology

A questionnaire was sent to graduate students at the University of Iceland, School of Social Sciences by e-mail in October 2013. The total number of responses was 344. The total number of graduate students at the School of Social Sciences is 1.518 and it is estimated that around 25% of them have declined recieving online surveys. As a results the response rate is estimated 28-30%. The five dimensions of national culture were measured using scales developed by Hofstede (2001) called VSM 94. The questionnaire contained 20 questions on the five point Likert scale. The questionnaire can be found on www.geerthofstede.nl/research-vsm94.aspx. The questionnaire was administered both in Icelandic and English.

2.1 Data analysis and execution

When the data gathering was completed the data was transferred to SPSS and Excel for further analysis. In SPSS the average score for each question was calculated and examined to determine if there was a difference in attitudes by gender. In Excel dimension values were calculated according to:

$$PDI = -35m(03) + 35m(06) + 25m(14) - 20m(17) - 20$$
$$IDV = -50m(01) + 30m(02) + 20m(04) - 25m(08) + 130$$
$$MAS = +60m(05) - 20m(07) + 20m(15) - 70m(20) + 100$$
$$UAI = +25m(13) + 20m(16) - 50m(18) - 15m(19) + 120$$
$$LTO = -20m(10) + 20m(12) + 40$$

The m(03) is the average score for question 3, m(06) is the average score for question 6, m(14) is the average score for question 14, etc. The Index is usually between 0-100 where a low index represents an inconspicuous cultural feature while a high index indicates a decisive cultural feature. Technically the index can be less than 0 and more than 100 but that has no effect on the results.

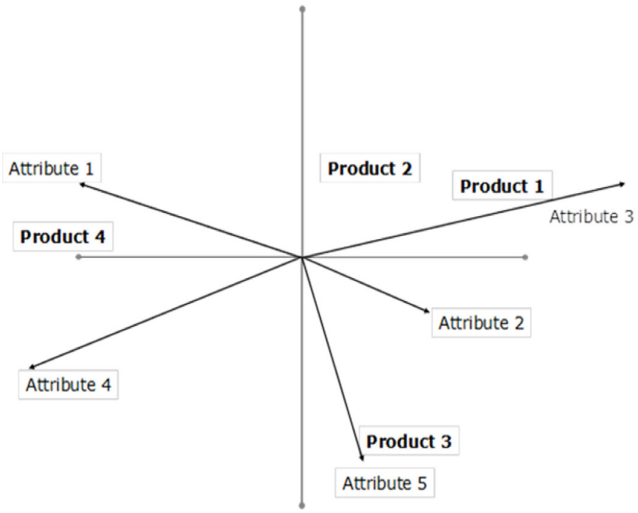
2.2 Use of perceptual maps for comparison of culture

There are many intuitive approaches that researchers use to develop an understanding of the competitive structure of their markets. The perceptual mapping methods provide for-

mal mechanisms to depict the competitive structure of markets in a manner that facilitates differentiation and positioning decisions (Lilian and Rangaswamy 2003). The software used is a combination of factor and cluster analysis. The factors are presented as vertical and horizontal line (see figure 1) and are based on those attributes with the highest value of explained variance. Normally it shows how goods in a market are perceived on certain attributes and how it is seen from the customers' point of view. In this research the countries equal goods and the attributes are the dimensions of national culture.

The maps, therefore, can be of great help when management related decisions have to be made (Festervand 2000; Kara, Kaynak and Kucukemiroglu 1996; Stanton and Lowenhar 1977). In this research the focus is on cultural dimensions and how countries distinguish themselves from each other based on those dimensions. Figure 1 shows a hypothetical perceptual map used to explain how it works and how to interpret the results.

Figure 1. Hypothetical perceptual map



The map shows four products (in this research, countries) that are evaluated based on five attributes which can be both positive and negative. When choosing attributes it is important to select those that describe both the industry and individual goods (in this case cultural dimensions). Various methods can be used to identify the attributes. It is common to start with many attributes and then use the methodology to combine them and/or narrow them down. The research reported here uses positioning analysis software developed by Lilien and Rangaswamy (2003). The results are shown in a vector format. The software positions the vectors and determines their length based on the average scores for each good´s attributes. Many similar methods exist (Gwin 2003; Sharp and Romaniuk 2000; Bijmolt and Wedel 1999; Sinclair and Stalling 1990; Kohli and Leuthesser 1993; Shugan 2004).

The length of the vectors indicates how well or decisively the attributes can distinguish between the products. A long vector indicates that the attribute is decisive in participants mind. The further the product is from the center of the map the more decisive is its differentiation based on that attribute. It is important to keep in mind that the vectors are read in both directions from the center of the map even though only one of the vectors is shown (Lilien and Rangaswamy 2003). For example it can be seen that product 1 is less connected to attribute 4 than the other products. The size of the angle between the vectors also gives important information. A narrow angle indicates that the attributes are closely related since the correlation between them is high.

3. Results

In this section the findings of the reseach will be detailed. First there is a comparison with selected OECD member states and secondly the findings are reported by the interpretation of the perceptual maps. List of selected OECD members used for the comparions can be seen in table 1.

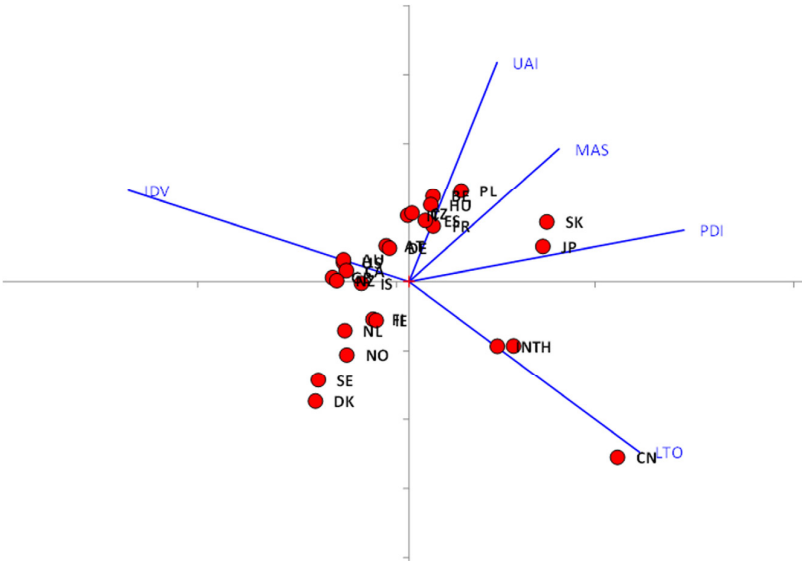
Table 1. List of selected OECD members

List of selected OECD members					
	PDI	IDV	MAS	UAI	LTO
IS	39	88	22	77	53
DK	18	74	16	23	46
SE	31	71	5	29	33
NO	31	69	8	50	44
FI	33	63	26	59	41
US	40	91	62	46	29
GB	35	89	66	35	25
IE	28	70	68	35	43
AU	36	90	61	51	31
CA	39	80	52	48	23
NZ	22	79	58	49	30
BE	65	75	54	94	38
AT	11	55	79	70	31
DE	35	67	66	65	31
FR	68	71	43	86	39
ES	57	51	42	86	19
NL	38	80	14	53	44
CN	80	20	66	30	118
TH	64	20	34	64	56
IN	77	48	56	40	61
JP	54	46	95	92	80
IT	50	76	70	75	34
CZ	57	58	57	74	13
PL	68	60	64	93	32
SK	104	52	110	51	38
HU	46	80	88	82	50

The data from table 1 are from the Hofstede's database (1980) but the Icelandic data are from survey done by authors in 2014 (Gudlaugsson, Adalsteinsson and Gudmundsdottir 2014).

In figure 2 the raw findings from the perceptual mapping software can be seen as well as clusters which will be described in the following. The horizontal factor, based on IDV vs PDI, explains 42,3% of the total variance in the data while the vertical factor, based on UAI vs LTO, explains 26,4% of the total variance in the data. Together those factors or dimensions explains 68,7% of the total variance in the data. The third factor, manly based on MAS, explains 14,5% of the total variance.

Figure 2. Raw findings

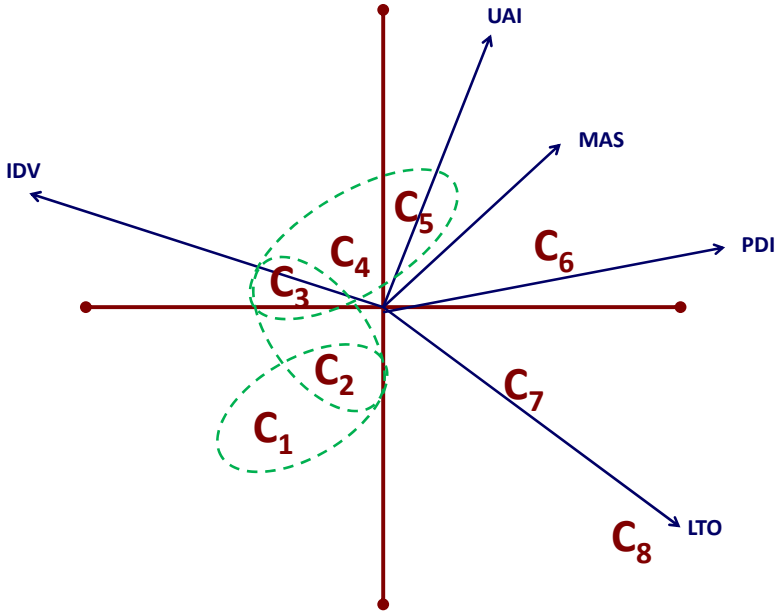


Based on raw findings in figure 2 following clusters has been defined:

- Cluster 1 (C_1): Danmark (DK) , Sweden (SE) and Norway (NO).
- Cluster 2 (C_2): Netherlands (NL), Finland (FI) and Ireland (IE).
- Cluster 3 (C_3): Iceland (IS), Canada (CA), New Zealand (NZ), United Kingdom (GB), Australia (AU) and the United States (US).
- Cluster 4 (C_4): Austria (AT) and Germany (DE).
- Cluster 5 (C_5): France (FR), Spain (ES), Italy (IT), Czech Republic (CZ), Hungary (HU), Belgium (BE) and Poland (PL).
- Cluster 6 (C6): Slovakia (SL) and Japan (JP).
- Cluster 7 (C7): India (IN) and Thailand (TH).
- Cluster 8 (C8): China.

To evaluate similarity and differences between the countries it is useful to use perceptual mapping technique and groupping the conutries into clusters. In figure 3 there is a perceptual map based on clusters defined.

Figure 3. Clusters defined based on perceptual mapping



From figure 3 it can be seen that C1 and C2 are closely related. They are situated in the south west part of the map and C3 and C4 are situated in the north west part of the map and C5 is situated in north east part of the map. All these cluters are characterized by a relatively high IDV score and they are far away from the UAI, MAS, PDI and LTO dimensions.

Iceland belongs to the C3 cluster, among countries like Canada, New Zealand, United Kingdom, Australia and the United States, all countries with high score on the IDV dimension. The Nordic countries, Denmark, Sweden and Norway belongs to cluster C1, situated in the middle of the south west part of the map with high IDV score but low MAS score. Finland is the only Nordic country in cluster C2 along with Netherland and Ireland. Finland is different from the other Nordic countries having lower score on IDV and MAS dimensions.

Iceland´s cluster, C3 is further from cluster C6, meaning that Slovakia and Japan are close to the MAS dimension while Iceland is quite low on the MAS dimension compared to Japan and Slovakia. Cluster C7, groupping together India and Thailand is situated in the middle of the south east part of the map along with China as Cluster 8 are much closer than Iceland when in comes to the LTO dimension. This indicates that Iceland have a clear cultural distinct from clusters, C6, C7 and C8 based on low score for LTO and low scores for MAS but high score for IDV.

4. Discussion and conclusion

Studies based on factors such as language, religion, geography and technological development have indicated that Denmark, Finland, Iceland, Norway, and Sweden belonged to the Nordic cluster (Eyjolfsdottir and Smith 1997; Hofstede 2001; House et al. 2004; Ronen and Shenkar 1985). The term Nordic refers exclusively to the five Scandinavian countries (Denmark, Finland, Iceland, Norway, and Sweden) with their model of welfare state, common history, culture, religion and similar languages (except Finland) (Eyjolfsdottir and Smith 1997; Hofstede 2001; House et al. 2004; Ronen and Shenkar 1985).

There are mainly three factors which connect Iceland with the other Nordic countries. First, Iceland was settled from Norway in the days of king Harald the "Fairhair" in the late 9th century (Benediktsson 1974). Second, genetic research indicates that the people from the British Isle and the people from the Nordic countries are related to Icelanders, half of the women who settled in Iceland can trace their ancestry to the Nordic countries and 80.5% of male settlers can trace their ancestry to the Nordic countries (Helgason, Sigurðardóttir, Gulcher, Ward and Stefánsson 2000). Finally the The Icelandic language is a West Nordic language and is more related to Norwegian and Faroese than Danish and Swedish. The Icelandic language has undergone smaller changes from the Old Norse than the other Nordic languages and Icelandic and Norwegian languages were not separated until the 14th century (Ragnarsson 1999).

Additionally Iceland was part of the Norwegian monarchy in 1262 and the country was a part of the Union of Kalmar, which was a state that brought together Scandinavian nations between 1397 and 1523. Iceland was more or less under Norwegian and Danish monarchy until the year 1918 when the country gained sovereignty. Iceland still has a close link to the Nordic countries and Nordic legislation has been a model of Icelandic law. In 1945 the Danes, Finns, Norwegians and the Swedes established a common social legislation and lay a foundation for a common Nordic labor market which meant that the people of the Nordic countries, including Iceland, had the freedom to move between countries and seek employment without hindrance and claim their shared social rights (Reynisson 2007).

Although the Nordic countries share a similar background in relation to origin, legislation and culture for more than 1200 years there is a considerable difference between Iceland and the other Nordic countries when it come to national cultures using Hofstede five dimensions, especially on the individualism dimension. Matthíasdóttir (2004) argues that the Icelandic nation in the 20th century, after seven centuries of foreign rule, bear most of the characteristics of the "enlightened western man" deeply rooted in individualism. She also mentioned that the high individualism among Icelanders in the 19th and 20th century goes along with the great need to escape the foreign oppression and the ideology was reflected in the Icelandic Sagas such as the stories of Norwegian lords fleeing the domination of king Harald the "Fairhair" who wanted to minimize their power and bring Norway under his rule.

Matthíasdóttir (2004) further argues that these displaced heroes from Norway had settled in Iceland to establish a nation state based on modern concepts of freedom of

the individual and independence. The idea of Icelandic individualism and the nation independence was a dominant theme in discussion and writing among writers, poets and academics until Iceland got its independence in 1944. The discussion continues today in relation to joining the European Union. While Denmark Finland and Sweden have joined, Norway and Iceland have decided to refrain from joining and the discussion of independence continuous to be a debate.

However this research indicates that the Nordic countries are different from national cultural perspective in relation to Hofstede's five cultural dimensions. Denmark, Norway and Sweden seem to have more in common than Iceland and Finland since they are grouped in Cluster, C1 and there is a difference between Iceland and Finland.

This study indicates that Iceland differs considerably from nations such as Slovakia, Japan, India, Thailand and China, which are high in PDI and MAS dimension while Iceland is high in IDV and low in PDI. If we look at the 25 OECD countries Iceland is more similar to Canada, New Zealand, United Kingdon, Australia and United States, so called Anglo cluster.

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