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*“Transcultural Impacts and Perspectives on the Future”*

**Perspectives from Armenia, Canada, France, Georgia, Germany, South Africa, Sweden, Ukraine, the United Kingdom, and the United States of America.**

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### **Future’s Trends: Culture vs. Institutions?**

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What trends are shaping whose future? One caveat would be whether to consider, e.g., a European in an aging society or an African in a country suffering from the HIV plague. Another question would be how culture might influence the trajectories of trends.

The artifact of one year ending and a new beginning has given impetus to compilations of prevalent trends, sometimes heralded as megatrends or metatrends. Seven trends, judged holding for a more extended future, selected out of about thirty, drawn from some ten different sources, will be considered here, sometimes interacting<sup>i</sup>. They will be analyzed from a cultural perspective, using professor Geert Hofstede’s five cultural dimensions, described on the basis of his very informative web site<sup>ii</sup>. They will also be discussed from the perspective of political and economic culture: freedom of the press, civil liberties, and (lack of) corruption.

#### **The Hofstede Descriptors**

The Hofstede<sup>iii</sup> **Power Distance Index** tells of the extent to which less powerful members of organizations and institutions (like the family) accept and expect power to be distributed unequally. This represents inequality defined from below, not from above, suggesting that a society's inequality level is endorsed by followers as much as by leaders.

**Individualism versus its opposite, collectivism**, is the degree to which individuals are integrated into groups. On the Individualist side we find societies with loose ties between individuals: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies where people from birth are integrated into strong, cohesive in-groups, often extended families/clans, which continue to protect them in exchange for unquestioning loyalty. Here the word 'collectivism' carries no political meaning: it refers to the group, not to the state.

**Masculinity versus its opposite, femininity**, refers to the distribution of gender roles, another fundamental issue for a society. Studies have revealed that (a) women's values differ less among societies than men's; (b) men's values from one country to another contain a dimension from very assertive and competitive, maximally different from women's values, on the one side, to modest and caring, similar to women's values, on the other. The assertive pole is called 'masculine' and the modest, caring pole 'feminine.' Women and men in feminine countries have the same modest, caring values; masculine countries show a gap between their values.

The **Uncertainty Avoidance Index** deals with a society's tolerance for uncertainty and ambiguity. It indicates to what extent a culture programs its members to feel comfortable in unstructured, novel situations. Uncertainty avoiding cultures try to minimize such situations by strict laws and rules, safety and security measures, and on a philosophical and religious level by belief in absolute Truth. Here people are more emotional, motivated by inner nervous energy. Uncertainty accepting cultures are more tolerant of deviating opinions; they try to have few rules, and on the philosophical and religious level they are relativists, allowing many currents side by side. People are more phlegmatic and contemplative, not expected to express emotions.

**Long-term Orientation versus short-term orientation** is a dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars. It can be said to deal with Virtue regardless of Truth. Values associated with Long-term Orientation are thrift and perseverance; values associated with Short-term Orientation are respect for tradition, fulfilling social obligations, and 'face-saving.'

The trends selected here were chosen on their merits of being mentioned frequently; having long-term impact; and not being too much overlapping. Some may seem tired, others surprising maybe. For economy of space, the awakening giants China and India are compared with the industrialized world, while potentially important future players such as Indonesia, Brazil, Russia, and the southern neighbor to the US Mexico mostly are overlooked.

### **Globalization**

Centers of economic activity are shifting profoundly, regionally and globally. As a consequence of economic liberalization, capital market developments, new technology, and demographic change, the world is in the process of massive economic activity realignment. Some industries and functions – manufacturing and IT services come to mind – will shift the most. The story is not simply the move to Asia and the emergence of the world's two most populous countries, China and India, but shifts within regions: in Europe, automotive producers have relocated substantial production volume to previous Soviet bloc countries.

Interestingly, the two Asian giants display considerably different cultural profiles, as measured by Hofstede. China is very high on Long-term Orientation, India much lower though above world average. China is particularly low on the Individualist score, indicating a less entrepreneurial mindset. Both countries are high on Power Distance, and both offer contrasts to the US, which is Individualist and low on Power Distance. Two Chinese entities, Hong Kong and Singapore, actually lead in economic freedom<sup>iv</sup>, Taiwan a bit down but beating Norway, Spain, and (easily) Japan, the UK beating the US, and France found quite a bit down the list. China is 112 and India just 118, both preceded by, e g, Egypt and Zambia. Taiwan has the highest marks for civil liberties and fares well on freedom of the press. These figures tally broadly with the set of economic freedom indicators compiled by the Heritage Foundation, weighing together a larger number of factors, including property rights and taxation<sup>v</sup>. The top countries on that list merit mentioning: Hong Kong, Singapore, Australia, the US, New Zealand, the UK, and Ireland, while Italy, e g, is way down.

### **Universal Connectivity**

Technological connectivity is transforming people's ways of living and interacting: it is more about people than technology and we are only at the beginning. People will work instantaneously as well as globally. Reportedly, we do about a billion Google searches a day (a contested figure; anyhow, the number increases monthly by 20 per cent), more than half in languages other than English. Geography is no longer a constraint for social and economic organization. This connectivity also comprehends pervasive computing implying communicating things, sometimes directly with other things.

'Growing up digital' seems to be associated with a strong entrepreneurial tendency<sup>vi</sup>. This would benefit the US, which is high on Individualism and low on Uncertainty Avoidance; Catholic countries are high on uncertainty avoidance with Ireland as an exception (the Philippines is another); Australia and Britain almost tie with the US, with Canada, the Netherlands, and Italy a bit further down. For connectivity to mean more than just technology, not only language proficiency but also cultural "ability" is a must.

### **A Global Brain**

Universal, often free access to information will change the economics of knowledge. While knowledge is increasingly easily available it is also turning more specialized. Organizations need to learn how to leverage this new knowledge universe – and avoid drowning in a flood of information. The transformation is, however, more profound than simply broad access. New models for knowledge production, distribution, access, and ownership are emerging, such as the organizing of knowledge communities. We are seeing the rise of open-source approaches to knowledge development where often communities, not individuals, become responsible for innovation. But open source and similar developments are not restricted to computer software; a German enthusiast is working on an open source car, a group with concern for the environment engages in better open source energy consumption monitors, and extreme sports enthusiasts share designs freely which are better than those sold commercially.

If we regard press freedom as a proxy for free access to knowledge, the US and Germany show the highest rank among larger countries<sup>vii</sup>. China is conspicuously low on this factor (135 out of 150 countries), India much higher (49, ahead of, e.g., Brazil). World Audit made those rankings, providing a list where "democracy" is composed of press freedom and level of corruption. *The Economist* Intelligence Unit also produces a democracy ranking<sup>viii</sup>, somewhat different from World Audit's, characterizing China as "authoritarian," India as a "flawed democracy," high on civil liberties (9.41 on *The Economist's* scale to 10 though just 3 out of 7 on World Audit's), China very low (6 on World Audit's scale from 1 to 7, 1.18 on *The Economist's*).

### **Transparency**

There are two aspects to this trend, one concerned with organizational governance, one with transactions. The Internet has been associated with a potential flawless matching between supply and demand, and complete consumer, customer, or user power. On-line consumers are skilled at bargaining and organize communities to share experiences and advice. With digital cameras and videophones more powerful, reviews of anything will be multimedia, in real time and on the spot, implying ever-shorter gaps between a consumer experience (good or bad) and the rest of the world conscious of it. The sheer mass of reviews will lead to daily and, well, hourly reviews on just about any topic. Web postings will unmask, outnumber, and neutralize any fake reviews posted by those trying to piggyback on the powers of transparency.

Here again, the argument about freedom of expression applies. For governance, less corruption equates with better functioning markets and straightforward accountability. The US gets a rather low *Economist* score for functioning of government (France an even lower, not to mention Italy), lower than India; China much lower altogether. By contrast, in World Audit's corruption ranking, India and China tie for 57th place (with Mexico, Brazil, and Egypt also). And by Heritage's estimate, as well as

Transparency International's<sup>ix</sup>, Italy is comparably corrupt, much more than Spain; on this figure, small countries like Finland and New Zealand shine, among larger countries, the UK.

### **Ageing**

The unprecedented aging of populations across the developed world will call for new levels of public sector efficiency and creativity – and as growing prosperity associates with longer life and less fecundity, demographics are changing profoundly. Public sector activities risk ballooning, making productivity gains crucial. Lacking productivity gains, pension and health care burdens threaten to make taxes suffocating. The problem is not restricted to developed economies: emerging-market governments will have to decide what level of social services to provide to citizens who increasingly demand state-provided health and retirement support.

Here, several considerations come into play. Certain cultures, notably those with Confucian origins, hold their elderly in high esteem. Femininity rather than Masculinity is associated with caring and humane concerns, see below. A low Hofstede indicator of Individualism, pointing to its opposite collectivism as defined above, would guarantee family or clan support for the ageing – again, China. On the other hand, that country is seeing its demographic balance<sup>x</sup> tilting drastically towards a smaller support base, in contrast to India. The US see a comparably favorable demographic development, while countries such as Italy and Spain are in for serious trouble (possibly solved through massive migration?), not to speak of Russia.

### **Environmental Concerns**

Demand for natural resources will grow, as will the concomitant strain on the environment. As economic growth accelerates – particularly in emerging markets – we will be using natural resources at unprecedented rates. Oil demand is projected to grow by 50 per cent in the next twenty years, and without large new discoveries or radical innovation supply won't be sufficient. We are seeing similar surges in demand across a range of commodities. In China, for example, demand for copper, steel, and aluminum has nearly tripled in the last decade, sending the world's steel prices through the roof. With the world's resources constrained, water shortages in particular will be the key obstacle to growth, indeed to survival, in many countries. And one of our scarcest, and plainly essential, natural resources – the atmosphere – will require dramatic shifts in human behavior to be saved from further depletion. Innovation in technology, regulation, and resource utilization will be central to creating a world that can drive robust economic growth while sustaining environmental demands.

Environmental concerns would tend to receive more attention in cultures with a Long-term Orientation, though many observers underline that it is already a short-term concern. This is also one where the Hofstede femininity caring values might be seen as coming into play. Japan is very high on its opposite, Masculinity, and here the US, Germany, and Italy are also well above world average. China and India are about average, South Korea substantially under as are most Muslim countries and Spain, with the Scandinavian countries being spectacularly low on this dimension.

### **Nanotechnology<sup>xi</sup>**

This trend is the odd one out: nanotechnology, whose consequences will play out in full only in the very long term – but then affecting society profoundly. Those effects are still to a large extent to be invented and felt but here is the basic thrust: traditional manufacturing will be turned on its head. This starts out with raw materials that are reduced to refined elements, components, and assembled products. As an industry or a technology matures, economies of scale become all important. By contrast, nanotechnology is all about streamlined assembly, atom by atom. It holds out the promise of economies of small scale, with neither pollution nor waste. To a large extent, production may move to the home, assemblers becoming standard household appliances – with the need for firms producing these items as well as the concomitant software.

Here, the Hofstede indicators point in two opposing directions. Nanotechnology is a long-term prospect and would thus benefit countries like China and Japan. On the other hand, the rise of new technologies is most often associated with a flourishing of entrepreneurship, thus with American Individualism and also well functioning markets. A technology almost the opposite of traditional industrial production might particularly benefit regions less steeped in, less locked into, such a mindset and more anchored in either agriculture or services. One might speculate about regional relocation of economic strength within the US, perhaps Canada, and Australia, perhaps also on the emergence of some really new player such as Indonesia.

### Discussion

Hofstede's work on culture has been both praised and severely criticized<sup>xii</sup>. A materialist philosophy would argue that values reflect changes in reality – an idealist one that values affect reality profoundly. The reasoned compromise would be to suggest an interaction; and that interaction, in a globalized, universally interconnected world would take place not in isolated islets but on the scene of the world. Thus culture would affect how globalization is being played out, thus political systems might co-evolve with economic development. But cultures are pervasive and ingrained. The comparison between Hong Kong, Singapore, and Taiwan versus China gives pause. So does the fact that there is a sizable Chinese *diaspora* in southeast Asia, so thrifty that Malaysia has instituted a policy to hold it back, and that ethnic Chinese in several countries themselves have felt the need to change their names to “local” ones.

From a developmental perspective, we might argue that it is one thing catching up, another to take the lead in opening up new frontiers: Japan's hectic growth followed by stagnation and soul-searching about lacking creativity and entrepreneurial spirits – Individualism? Emerging countries not also have the opportunity to learn from more advanced ones but also to leapfrog development. Why invest in a wired telecommunications infrastructure to be written off over forty years when cellular telephony is available (besides having profound positive effects to the economy at large<sup>xiii</sup>)?

One effect, possibly offsetting demographic challenges in countries like Italy and Spain, was mentioned only in passing: mass migration. This would most probably involve massive movements from the southern and eastern shores of the Mediterranean to the northwest – bringing about more meetings, or clashes, of cultures; playing out well in Spain but not at all so in Italy, judging from Hofstede's indicators. There is a *trek* from the south into the US, and nations created by immigrants like Canada and Australia are still accommodating them.

The Heritage Foundation economic freedom index contains factors such as monetary, investment, financial freedom, and labor. On the last point, rigid labor laws are one reason for India's lagging China in productivity growth<sup>xiv</sup>. In explanations to the rise of nations such as Japan and Singapore, systems and incentives for savings, thus for investments, have been highlighted. Forgoing consumption now for investments in tomorrow would seem to tally with Long-term Orientation. A putative trend not covered here is the massive buildup of the US federal deficit, potentially giving other countries, such as China, economic and political leverage.

Mississippi isn't California, and India is a sub-continent, organized as a federation, so both cultural and political or regulatory regimes may vary considerably. Hofstede describes it as 81 per cent Hindu but it is also host to one of the world's largest Muslim populations. China is centralized but with large chasms in development levels, creating profound social challenges. The descriptions about Italy would be contested, and rightly so, in Lombardy.

Transparency, connectivity, and the global knowledge exchange are all associated with the time dimension: managing to live with instantaneity might turn out to be the route to success. Reacting rapidly – instantaneously, thus short-term orientation? – would depend upon intuition, which is culturally programmed. Or it would require a high degree of humility, femininity, a keen understanding

of the cultural gaps that need to be respected, possibly turning them into benefits.

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**POINTS FOR THE CLASSROOM** (send comments to [forum@futuretakes.org](mailto:forum@futuretakes.org)):

- *What additional cultural descriptors would you add to Hofstede's set of five?*
- *In terms of Hofstede's five cultural dimensions, what is the "wave of the future"? That is, in 2020, will more people or fewer people expect power to be distributed unequally – and on what scale (community, workplace, national)? Will individualism or collectivism prevail, and how will that impact one's source of identity? What about masculine vs. feminine values – which will dominate in various parts of the world in 2020? Let's not forget the uncertainty avoidance index. In which regions will people be more spontaneous, or less so? More risk averse? More contemplative, vs. more stimulation and diversion oriented?*
- *As cultures intermingle, will philosophical and religious relativism prevail in 2020, and if so, where?*
- *As the author indicates, Hofstede's uncertainty avoidance index deals with a society's tolerance for uncertainty and ambiguity. It has been argued that a desire to resolve uncertainty characterizes the public's interest in the outcome of an election, high profile legal trial, sports event, or even a television game show. Will the desire to resolve uncertainty become more pervasive among nations and peoples during the next decade?*
- *As summarized by Vedin, Hofstede associates thrift and perseverance with a long-term orientation and respect for tradition, fulfilling social obligations, and "face-saving" with a short-term orientation. In terms of these descriptors, China would be a short-term orientation culture, and the traditional US (at least, prior to the era of "instant gratification") would be a long-term orientation culture. However, this is somewhat counterintuitive, because the US now has a quarterly earnings statement *modus operandi*, whereas Asian countries have traditionally focused on the long-term in business, investment, and even warfare. How can these seemingly opposing characterizations be reconciled?*
- *One trend discussed by Vedin is universal connectivity. How will universal connectivity export and import cultures, values, etc., and (in contrast with migration) to what extent? Specifically, which cultures, values, and perhaps lifestyles will be exported, and to which countries or regions?*
- *How will universal connectivity impact communities and the sense of community – especially considering that even now, an increasing number of people have friends all over the world but barely know their geographic neighbors. What is the long-term future of geographic community?*
- *How will universal connectivity impact governance (including the near-term vs. long-term focus of elected officials) and the role of the nation-state? (See related article, "South Korea, Leader in E-Democracy," Summer-Fall 2006 issue.)*

- *How will universal connectivity impact leisure time and “down time”? Will people choose to be “unplugged,” at least for short periods? Conversely, is universal connectivity addiction (now in several countries) a creation of, or a result of, a stimulation-oriented society and/or an instant gratification culture such as the US?”*
- *How will universal connectivity impact education at various levels? How will it impact knowledge workers?*
- *What is the next information frontier, after universal connectivity?*
- *In various parts of the world, how will universal connectivity impact one’s sense of identity?*
- *Another trend discussed by Vedin is the global brain. What is the future of open-source innovation and the role of capital?*
- *Still another trend examined by Vedin is nanotech. Will nanotech lead to small scale economies – and with what impact on business culture, community, and the way we live and work?*
- *According to the Hofstede indicators as interpreted by Vedin, nanotech is a long-term prospect that can benefit China and Japan (which according to other authors, are long-term thinkers and planners) but is often associated with US individualism and the US strengths of entrepreneurship and markets. So, where is nanotech most likely to flourish?*
- *Vedin discusses aging in the context of the Hofstede descriptors. In countries characterized by respect for the elderly, what will be the impact of soaring costs to care for larger numbers of them? In other countries, what will be the impact of the aging population on working life and family life – especially considering de facto extensions of retirement age to maintain healthcare coverage or survive pension plan failure? And, as various cultures intermingle, will the societies become more age-oriented or more youth-oriented?*
- *Vedin refers to the US federal deficit, which can potentially give political leverage to other nations such as China. What cultural factors, if any, led to the trade imbalance between the US and China (among other nations)? Furthermore, it has been argued that the trade imbalance is not sustainable indefinitely; yet if either nation were to precipitously end it, both nations would suffer. What is the long-term outlook for this trade imbalance?*
- *Do you agree with Vedin that instantaneity might be the route to success – short-term orientation, intuition, etc.? Why or why not?*
- *To what extent will cultural gaps impact international business in the future?*

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<sup>i</sup> McKinsey Quarterly: “Trends for 2006 revisited”; Snyder, D P: “Five Meta-Trends Changing the World,” *The Futurist* July-August 2004 pp. 22-27: [www.innovationlab.dk](http://www.innovationlab.dk); <http://www.futureconceptlab.com/>;

Trendwatching.com; www.trendhunter.com; www.pfsk.com; Institute for the Future Ten Year Forecast 2006 <sup>ii</sup> <http://www.geert-hofstede.com/> copyrighted; Hofstede’s book *Culture’s Consequences* (Sage) is a profound read; the different editions make for interesting reflections

<sup>iii</sup> “The GLOBE project” has expanded Hofstede’s dimensions to 18; Hofstede’s comments may be reached from <http://feweb.uvt.nl/center/hofstede/page17.htm>

<sup>iv</sup> <http://www.worldaudit.org/economicfreedom.htm>

<sup>v</sup> <http://www.heritage.org/index/>

<sup>vi</sup> Intuit future of small business report, Institute for the Future, January 2007

<sup>vii</sup> <http://www.worldaudit.org/democracy.htm>

<sup>viii</sup> [http://www.economist.com/media/pdf/DEMOCRACY\\_TABLE\\_2007\\_v3.pdf](http://www.economist.com/media/pdf/DEMOCRACY_TABLE_2007_v3.pdf)

<sup>ix</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2005](http://www.transparency.org/policy_research/surveys_indices/cpi/2005)

<sup>x</sup> <http://www.census.gov/ipc/www/idbpyr.html>

<sup>xi</sup> Glazer, R: Business in the Nanocosm, *Harvard Business Review*, February 2007 pp. 44-45

<sup>xii</sup> For a recent application including a summary of the debate, see Soares, A M et al: Hofstede's dimensions of culture in international marketing studies, *Journal of Business Research*, Vol. 60: 3, March 2007 pp. 277-284

<sup>xiii</sup> Enriquez, L et al: The true value of mobile phones to developing markets, *McKinsey Quarterly* 8 February 2007; Hofstede has also summed up the critique <http://www.geert-hofstede.com/dimBSGH.pdf>

<sup>xiv</sup> [http://www.tcf.or.jp/data/2006120607\\_B\\_Bosworth-S\\_Collins.pdf](http://www.tcf.or.jp/data/2006120607_B_Bosworth-S_Collins.pdf);

<http://www.brook.edu/views/papers/20060803india.pdf>