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HOW CULTURE AFFECTS DOING BUSINESS IN THE GLOBAL ECONOMY

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Abstract

While several studies have examined the effects of culture on economic growth, economic development, foreign direct investment, and the formation of joint ventures, few if any have analyzed the effects of culture on specific aspects of doing business such as starting a business, dealing with construction permits, registering property, obtaining credit, enforcing contracts, and resolving insolvency. Using different cultural variables, this study found that the emphasize individuals placed on religion, leisure time, family, the environment, nationality, prostitution, gender roles, power distance, individualism, and uncertainty avoidance, had significant effects on different business activities. Due to the complex nature of culture, however, some business procedures and practices were improved upon while others were not when different values and beliefs were considered.

Keywords: Culture, International Business, World Values Survey, Hofstede Indices

1. Introduction

Perhaps nothing is more important in international business than culture. Our culture influences the way we greet one another. It shapes the way we do business. It affects the speed and timeliness of our transactions. It determines what behaviors we find acceptable and unacceptable. It guides us in developing regulations and laws. And it is ultimately tied to our successes and failures in business. The purpose of this paper is to determine how culture affects specific aspects of engaging in international business including: 1) starting up a business, 2) dealing with construction permits, 3) registering property, 4) getting credit, 5) protecting investors, 6) paying taxes, 7) trading across borders, 8) enforcing contracts, 9) resolving insolvency, 10) getting electricity, and 11) employing workers. In cases where culture is found to adversely affect international business, methods can be developed to enhance the business environment. As an example, if a country that ranks high in collectivism takes many days to approve a building permit, procedures can be revised to allow approval of permits for smaller facilities on a quick-track basis. Furthermore, if companies looking for markets and countries to enter know in advance what obstacles they may face due to culture, they can prepare ahead of time for any delays they may face. The outline of the paper is as follows. In the first section, a brief review of the literature on culture and how it can be measured will be presented. The next section will describe the data and methodology used to determine the effects of culture on doing business in the international community, followed by the empirical results. The final section will contain a discussion and summary of the findings.

2. Culture

One of the earliest works on culture was that by Sir Edward B. Taylor, an English Anthropologist. He defined culture as “that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society” (pg. 1, vol.1, 1889). Granato, Inglehart, and Leblang (1996, p. 608) define culture as “a system of basic common values that help shape the behavior of the people in a given society.” Mercado, Welford, and Prescott (2001) stated that culture is about people and their behavior based on their background and affiliations. It is a system of acquired values, beliefs, and social norms, separating one social group from another. Geert Hofstede (1980), a Dutch social psychologist and anthropologist, defined culture as “the collective programming of the mind distinguishing the members of one group or category of people from others.” According to Kuznetsov and Kuznetsova (2005), culture influences rules and professional values and attitudes that guide human and social interactions.

Tomalin and Nicks (2007) stated that culture is the “software of the mind” and its cross-country variations lead to different ways of doing business and different expectations on the part of consumers. Nejati et al (2011) stated that culture affects almost every aspect of business operations and activities. Mercado et al (2001) identified eight elements of culture which can affect business in different societies: (1) language, (2) social organization, (3) values/attitudes, (4) laws, (5) education, (6) political economy, (7) material culture, and (8) religion.

Several studies, including many of those previously mentioned, analyzed the effect of culture on economic growth. Granato, Inglehart, and Leblang (1996) used cultural measures

from the World Values survey to construct a variable representing “achievement motivation.” To do this they summed up the percentages in each country in their sample of those who responded that “thrift” and “determination” were especially important to them and subtracted the percentages of those who responded that “obedience” and “religious faith” were especially important. The authors stated that “thrift” and “determination” were factors that supported “achievement motivation” while “obedience” and “religious faith” did not. Obedience could lead to followers rather than leaders and religious faith could lead to more sharing with others instead of personal saving which would lead to economic growth. Another cultural variable used in the study was “postmaterialism” which represented a greater concern for the quality of life and preservation of the environment. When the two variables, “achievement motivation” and “postmaterialism,” were included in a growth equation it was found that “achievement motivation” was significant and positively related to growth while “postmaterialism” was found to be insignificant.

Gorodnichenko and Roland (2011) studied the effects of Hofstede’s dimensions of culture on economic growth. The first dimension, “individualism” measures the degree to which society rewards and emphasizes personal achievement and recognition. Personal freedom is highly valued in those societies ranking high in this dimension of culture. Societies that rank low in “individualism” rank high in “collectivism” where group performance is rewarded and emphasized. “Power distance” is the next dimension of culture and it measures the degree to which inequality is accepted and tolerated in a society. In those societies ranking low in “power distance,” equality of individuals is desired. The cultural dimension of “masculinity” refers to the degree to which a society emphasizes the characteristics of assertiveness and achievement over characteristics such as caring, nurturing, and modesty. The “uncertainty avoidance” index of culture, measures the degree to which a society wishes to avoid uncertain and unknown situations. In those societies ranking high in this category of culture, risky situations are avoided in favor of formal rules and set patterns of behavior.

The authors found that “individualism” was significant and positively related to per-capita output. “Power distance” was significant and negatively related to per-capita output for some specifications of the regression model while “uncertainty avoidance” displayed mixed results.

Another area of research has analyzed the relationship between culture and joint ventures. Georgieva, Jandik, and Lee (2012) used the number of joint ventures in a foreign country with a U.S. partner as a percent of all joint ventures in the foreign country as their dependent variable. They found that the rule of law in the foreign country was negatively related to the number of joint ventures. Greater cultural differences between the U.S. and the foreign country, as measured using Hofstede variables, led to a higher volume of joint ventures. Greater differences in language and religion between the foreign country and the U.S. and greater political stability in the foreign country also led to more joint ventures.

Cechella (2010) studied the impact of history, culture, and language, on foreign direct investment in Portugal by Brazilian companies. The author found that cultural affinity between Brazil and Portugal contributed in a significant way to the profitability of Brazilian companies in Portugal.

While several studies have examined the link between culture and economic growth, foreign direct investment, and joint ventures, few if any, have examined the empirical link between culture and the ease or difficulty of doing business in the global economy when it comes to such activities as starting up a business, dealing with construction permits, and enforcing contracts. In the next section, the data and methodology used to explore these relationships will be presented.

3. Data, methodology, and model, for the effects of culture on International Business

Since 2003, the World Bank has published annual reports on “Doing Business” in the international community. Quantitative indicators are presented by country for different aspects of engaging in business such as 1) starting a business, 2) dealing with construction permits, 3) registering property, 4) getting credit, 5) protecting investors, 6) paying taxes, 7) trading across borders, 8) enforcing contract, 9) resolving insolvency, 10) getting electricity, and 11) employing workers. Each of the eleven aspects of doing business is further subdivided. As an example, the World Bank divides the category “starting a business” into (a) number of procedures required for starting a business, (b) time in days required to start a business, and (c) cost as a percent of per-capita income to start a business.

The above aspects of doing business in a global environment are affected by economic, political, and cultural factors. As an example, a growing economy with a skilled labor force can make doing business more efficient. Political instability and corruption, on the other hand, can add to the difficulty of doing business. Culture is the set of values and beliefs that can either help or hinder individuals in their day-to-day business activities. To account for these factors and their effects on engaging in global business, the following equation was estimated.

$$(1) \quad y = \beta_1 + \beta_2 \cdot Education + \beta_3 \cdot Corruption + \beta_4 \cdot PoliticalInstability + \beta_5 \cdot Culture + \varepsilon.$$

In equation (1), y represents one of the aspects of doing business which could be the cost, time, or the number of procedures needed to start a business, obtain construction permits, and so forth. Education is the average amount of schooling received by an adult in the country and represents the skill of the labor force. Education has also been shown to be a significant, contributing factor to growth in real per-capita GDP (Barro, R., 1991; Aghion, P. et al., 2009; Mankiw, G., Romer, D. & Weil, D., 1992). The higher the level of education in a nation, the easier it should be to conduct business. The education levels for 2010 were taken from the United Nations Development Programme Human Development Reports. For the variable corruption the corruption perceptions index from Transparency International for the year 2010 was used. The index is ranked from 1 to 10 with higher scores implying very little corruption and lower scores implying a high level of corruption. While corruption in general, leads to distrust, a misallocation of resources, and a poor business environment, some studies have shown that some corruption actually helps “grease the wheels” of business (Colombatto, E., 2003; Meon, P. & Weill, L., 2010). For the variable political instability the political instability index for 2009/2010 from “Views-Wire” from the Economist Intelligence Unit published by The Economist Magazine was used. In general, political instability is a threat to the business environment as businesses are reluctant to invest in uncertain situations. However, Georgieva, Jandik, and Lee (2012) found that greater political instability in the host country led to the formation of more joint ventures. The Economist Intelligence Unit defines their categories as follows: 0-3.9 (low risk), 4-5.7 (moderate risk), 5.8-7.4 (high risk), and 7.5-10 (very high risk). For 2009/2010, Iraq

received the highest ranking for political instability (7.9) followed by Zambia (7.75). Norway was ranked low (1.2).

Two sets of cultural variables were used in this study to estimate equation (1). The first set consisted of cultural data retrieved from the World Values Survey (WVS) 2005-2008 database which corresponded to the fifth wave of the WVS. The survey contained data about the beliefs and values of individuals in different countries concerning family, work, religion, morals, the environment, and national identity. Seven questions and their answers from the WVS database were used to represent the culture, values, and beliefs of individuals in different countries that would have an effect on doing business.

The first question concerned the importance of leisure-time in life (IMPLEIS). The percent of those surveyed in a country that responded “very important” was used as the value of this variable. Therefore this variable could be negatively related to doing business if work effort is reduced because of it. In Figure 1, darker-shaded nations had a higher percent of respondents who answered that leisure time was very important to them.

The second question used from the survey was about the importance of religion in life (IMPREL). The percent of those surveyed in a country that responded “very important” was used as the value of this variable. If a greater percent of individuals in a country are religious, there may be more of an emphasis placed on sharing one’s wealth with others and less of an emphasis on personal saving and accumulation of assets. The variable IMPREL may be negatively related to doing business in the global economy. In Figure 2, darker-shaded nations had a higher percent of respondents who answered that religion was “very important” in their life.

The third question used from the WVS asked individuals if prostitution was justifiable (JUSTPROS). The percent of the respondents who answered “never justifiable” was used as the value for this variable. This variable may be similar to the religion variable which captures traditional values and beliefs. It may also be negatively related to doing business.

The fourth question dealt with the individual respondent’s trust in his/her family (TRUSTFAM). The percent of respondents who answered “trust them completely” was used as the value of this variable. This variable may capture core family values such as taking care of and looking out for family members. Such values may also be associated with a good work ethic in which case this variable would be positively related to doing business.

The fifth question from the WVS which was used for this study asked individuals about their pride in their nationality. The percent of those who responded “very proud” was used as the value for this variable—IMP NAT (Importance of Nationality). Being proud of one’s nationality and being patriotic indicate a sense of identity and belonging to a group. These individuals may put forth a greater effort in what they do since what they do reflects not only on themselves but on their neighbors as well. In this case, the variable IMP NAT would be positively related to doing business. In Figure 3, darker-shaded nations had a higher percent of respondents who were “very proud” of their nationality.

The sixth question taken from the WVS asked individuals if men made better political leaders than women. The percent of those who responded “strongly agree” was used as the value for this variable. In nations ranking high in this variable there may be a sharp differentiation of roles along gender lines. Men are taking jobs traditionally held by men and women are taking jobs traditionally held by women. This could result in inefficiencies if barriers to job mobility exist along gender lines, making this variable—MENPOL (Men as political leaders) negatively related to doing business. In the last question taken from the WVS, individuals were asked if they would give part of their income for the environment. The percent of respondents who answered “strongly agree” was used as the value of this variable. When individuals are more concerned about the environment they may also be more concerned about society in general and especially about future generations. This could, however, lead to a reallocation of resources and efforts away from manufacturing if the environment is any way harmed. This variable—IMPENV (importance of the environment), could be negatively related to doing business. Using the above variables taken from the WVS to represent culture, equation (1) can now be expressed as:

$$(2) \quad y = \beta_1 + \beta_2 \cdot education + \beta_3 \cdot corruption + \beta_4 \cdot PoliticalInstability + \\ \beta_5 \cdot Impleis + \beta_6 \cdot Imprel + \beta_7 \cdot Justpro + \beta_8 \cdot Trustfam + \\ \beta_9 \cdot Impnat + \beta_{10} \cdot Menpol + \beta_{11} \cdot Impenv + \varepsilon$$

In the next section, the estimates of this equation will be presented and discussed.

4. Findings

The variables used in this study and their abbreviations are presented in Table 1. Table 2, contains the estimates of equation (2). After deleting observations with missing values, the dataset used for all equations included 41 observations (countries). Furthermore, heteroscedasticity-consistent standard errors were calculated to account for the nature of the cross-section dataset.

The results indicated that an increase in education reduced (a) the cost of dealing with construction permits, (b) paid-in-minimum capital for starting up a business, (c) the cost of getting electricity, (d) the cost of registering property, (e) the number of documents needed to export goods, (f) the time in days needed to export goods, (g) the number of documents needed to import goods, (h) the time in days needed to import goods, and (i) the cost per container of importing goods. Education is providing labor with the skills and knowledge to more effectively conduct business. However, increases in education increased (a) the number of procedures required for getting electricity, (b) the time in days needed to get electricity, and (c) the percent of adults getting private bureau coverage which enables them to get credit. In countries with higher levels of education and income, the demand for electricity may be so high that delays are encountered when new businesses are trying to get electricity.

Political instability led to increases in (a) the number of documents needed to import goods and (b) the cost of enforcing contracts. Political instability creates uncertainty in the business environment. Businessmen and business women may feel that regulations and restrictions on businesses may soon change under these conditions and business transactions may become less efficient requiring more paperwork, time, and resources. However, political

instability was found to decrease (a) the time in days needed to deal with construction permits and (b) the time in days required for registering property. While political instability can lead to business inefficiencies it can also be associated with those countries where change, dissent, and differences of opinion occur. In such open societies, many businesses thrive and not all business activities are stifled.

A decrease in corruption was associated with a reduction in (a) the number of procedures and time in days required to start a business, (b) the number of procedures and time in days needed to deal with construction permits, (c) the number of procedures and time in days required to register property, (d) the time in days and the number of procedures needed to enforce contracts, and (e) the time in years and the cost of resolving insolvency. Corruption or lack of it plays a very important role in conducting business. The results of this study show the extent to which the eradication of corruption enhances the business environment. Furthermore, an increase in corruption was associated with decreases in (a) the cost of starting a business, (b) paid-in-minimum capital required to start a business, and (c) the recovery rate in cents on the dollar involved in resolving insolvency. Some corruption and bribery may actually be lowering the reported cost of starting a business even though the actual cost may well exceed the reported cost.

Table 1. List of Variable Names

| | |
|----------|---|
| PRCSTART | Starting a Business - Procedures (number) |
| TIMSTART | Starting a Business - Time (days) |
| COSSTART | Starting a Business - Cost (% of income per capita) |
| PDINMIN | Starting a Business - Paid-in Min. Capital (% of income per capita) |
| PRCCONST | Dealing with Construction Permits - Procedures (number) |
| TIMCONST | Dealing with Construction Permits - Time (days) |
| COSCONST | Dealing with Construction Permits - Cost (% of income per capita) |
| PRCELEC | Getting Electricity - Procedures (number) |
| TIMELEC | Getting Electricity - Time (days) |
| COSELEC | Getting Electricity - Cost (% of income per capita) |
| PRCPROP | Registering Property - Procedures (number) |
| TIMPROP | Registering Property - Time (days) |
| COSPROP | Registering Property - Cost (% of property value) |
| PUBCOV | Getting Credit - Public registry coverage (% of adults) |
| PVTCOV | Getting Credit - Private bureau coverage (% of adults) |
| NUMTXPAY | Paying Taxes - Payments (number per year) |
| TIMPAYTX | Paying Taxes - Time (hours per year) |
| TAXPROF | Paying Taxes - Profit tax (%) |
| LABTXPRO | Paying Taxes - Labor tax and contributions (%) |
| OTXPROF | Paying Taxes - Other taxes (%) |
| TTRPROF | Paying Taxes - Total tax rate (% profit) |
| DOCEX | Trading across Borders - Documents to export (number) |
| TIMEX | Trading across Borders - Time to export (days) |
| COSEX | Trading across Borders - Cost to export (US\$ per container) |
| DOCIM | Trading across Borders - Documents to import (number) |
| TIMIM | Trading across Borders - Time to import (days) |
| COSIM | Trading across Borders - Cost to import (US\$ per container) |
| TIMENCON | Enforcing Contracts - Time (days) |

| | |
|----------|---|
| COSENCON | Enforcing Contracts - Cost (% of claim) |
| PRCENCON | Enforcing Contracts - Procedures (number) |
| TIMRES | Resolving Insolvency - Time (years) |
| COSRES | Resolving Insolvency - Cost (% of estate) |
| RECRATE | Resolving Insolvency - Recovery rate (cents on the dollar) |
| EDUC | Mean years of schooling (of adults) (years)--2010 |
| COR | Corruption Perceptions Index from Transparency Int'l--2010 |
| POL | Political Instability Index from the Economist Wire—2009/2010 |
| PDI | Power Distance |
| IDV | Individualism |
| MAS | Masculinity |
| UAI | Uncertainty Avoidance |
| IMPLEIS | Important in life: Leisure time (very important) |
| IMPREL | How important is Religion in your life (very important) |
| JUSTPROS | Justifiable: prostitution (never justifiable) |
| TRUSTFAM | How much do you trust your family (trust them completely) |
| IMP NAT | How proud of nationality (very Proud) |
| MENPOL | Men make better political leaders than women do (strongly agree) |
| IMPENV | Would give part of my income for the environment (strongly agree) |

| Table 2: Regression Results Using WVS Variables | | | | | | | | | | | |
|---|-----------------------|-----------------------|----------------------|------------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| Dependent Variables | Independent Variables | | | | | | | | | | |
| | Intercept | EDUC | POL | COR | IMPLEIS | IMPREL | JUSTPROS | TRUST-FAM | IMP NAT | MENPOL | IMPENV |
| PRCSTART | 17.52 (2.320)* | 0.25 (1.350) | -0.277 (-0.630) | -0.935 (-2.520)* | -3.498 (-0.810) | -1.278 (-0.450) | -0.072 (-0.030) | -3.816 (-0.680) | -3.183 (-1.410) | -4.696 (-0.840) | 1.61 (0.230) |
| TIMSTART | 146.478 (1.730)** | 0.224 (0.270) | -4.806 (-1.280) | -5.287 (-2.190)* | -57.73 (-2.650)* | -1.397 (-0.080) | -18.469 (-1.070) | -45.303 (-0.870) | -6.61 (-0.350) | -13.812 (-0.530) | -11.897 (-0.330) |
| COSSTART | -4.606 (-0.200) | -2.816 (-4.200)* | 3.224 (1.850)** | 3 (2.300)* | -31.374 (-2.500)* | 18.599 (2.550)* | -42.247 (-3.320)* | 21.965 (1.120) | -2.421 (-0.330) | 36.01 (1.830)** | 63.255 (2.610)* |
| PDINMIN | -196.815 (-2.110)* | -24.637 (-7.340)* | 2.62 (0.290) | 20.046 (2.980)* | -207.188 (-2.330)* | 227.137 (3.860)* | -140.471 (-3.240)* | 480.254 (5.110)* | -105.04 (-2.060)* | -210.315 (-2.470)* | 376.685 (3.470)* |
| PRCCONST | 23.914 (1.750)** | 0.527 (1.380) | 0.533 (0.510) | -1.409 (-1.990)** | -3.272 (-0.360) | -7.809 (-1.270) | 5.155 (0.710) | -8.258 (-0.740) | 7.371 (1.120) | 0.635 (0.060) | -25.315 (-1.470) |
| TIMCONST | 824.362 (3.550)* | 8.911 (1.040) | -43.985 (-2.380)* | -54.194 (-4.320)* | 192.954 (0.900) | 136.19 (1.140) | -118.401 (-1.490) | -121.987 (-0.540) | -222.307 (-1.520) | -207.817 (-0.850) | 15.59 (0.050) |
| COSCONST | 534.941 (0.430) | 5.881 (0.260) | 38.794 (0.630) | -104.735 (-1.830)** | 1007.553 (1.880)** | -205.352 (-0.720) | -340.201 (-0.690) | -141.843 (-0.130) | 36.745 (-0.130) | 738.164 (1.0900) | -601.695 (-0.920) |
| PRCELEC | 0.355 (0.090) | 0.315 (3.130)* | 0.353 (1.660) | -0.219 (-1.080) | -0.665 (-0.320) | 0.732 (0.660) | 1.122 (0.860) | 0.036 (0.010) | 0.839 (0.830) | -6.317 (-1.960)** | 4.522 (1.370) |
| TIMELEC | -189.188 (-1.240) | 8.311 (2.270)* | 14.433 (1.500) | 3.147 (0.480) | -146.571 (-1.900)** | 97.049 (2.260)* | 83.76 (1.510) | 99.289 (0.990) | -1.511 (-0.030) | -367.524 (-3.100)* | 327.056 (2.470)* |
| COSELEC | -2535.262 (-0.580) | -551.314 (-3.330)* | 421.313 (1.160) | 632.691 (1.610) | -6687.573 (-1.330) | 2728.957 (1.130) | -827.683 (-0.460) | 4120.9 (1.360) | 806.453 (0.650) | -3437.37 (-0.790) | 6199.906 (1.100) |
| PRCPROP | 15.058 (2.150)* | -0.011 (-0.070) | -0.652 (-1.690) | -0.836 (-3.130)* | 0.365 (0.130) | 4.27 (2.260)* | -1.069 (-0.480) | -0.082 (-0.020) | -0.966 (-0.480) | -1.877 (-0.450) | -12.514 (-2.120)* |
| TIMPROP | 218.102 (2.100)* | 2.112 (1.080) | -14.603 (-2.300)* | -15.597 (-3.250)* | -78.825 (-1.790)** | 27.923 (1.100) | -62.841 (-1.940)** | -13.161 (-0.180) | 73.195 (2.910)* | 8.098 (0.140) | -161.569 (-2.110)* |
| COSPROP | 0.901 (0.160) | -0.661 (-2.790)* | 0.452 (0.800) | 0.496 (1.580) | -10.632 (-1.990)** | 7.041 (1.830)** | -7.785 (-3.670)* | 13.285 (1.970)** | -2.338 (-0.700) | 0.035 (0.010) | -2.398 (-0.300) |
| PUBCOV | 29.732 (0.760) | -0.246 (-0.260) | 0.706 (0.210) | -2.302 (-0.850) | -47.362 (-1.780)** | -20.007 (-1.100) | 10.514 (0.440) | 24.697 (0.760) | -1.492 (-0.090) | 0.365 (0.010) | -34.179 (-0.810) |
| PVTCOV | 54.731 (0.650) | 4.827 (2.360)* | -3.095 (-0.510) | -3.106 (-0.540) | 21.631 (0.370) | -9.832 (-0.320) | -58.271 (-1.580) | 15.009 (0.210) | 34.891 (1.350) | 96.689 (1.030) | -209.931 (-2.180)* |
| NUMTXPAY | -32.371 (-0.400) | 1.393 (0.680) | 5.322 (1.480) | -4.264 (-1.490) | -12.954 (-0.420) | -0.986 (-0.060) | -13.217 (-0.530) | 52.352 (0.930) | 18.433 (0.900) | 5.585 (0.120) | -22.243 (-0.420) |
| TIMPAYTX | 2269.728 (1.090) | 19.347 (1.320) | -76.824 (-0.880) | -99.993 (-1.720)** | -516.429 (-1.400) | 10.883 (0.030) | -111.133 (-0.250) | -1082.369 (-0.880) | -66.403 (-0.150) | -457.492 (-1.010) | 302.936 (0.470) |
| TAXPROF | 29.429 (1.920)** | -0.688 (-1.510) | -1.646 (-1.350) | 0.308 (0.330) | 4.85 (0.380) | 2.432 (0.380) | 0.861 (0.140) | -5.433 (-0.370) | 10.669 (1.370) | -5.839 (-0.420) | -22.234 (-1.430) |

| Table 2 (Continued): Regression Results Using WVS Variables | | | | | | | | | | | |
|---|---|---------------------------|------------------------|----------------------|----------------------|-----------------------|------------------------|-----------------------|-----------------------|------------------------|-----------------------|
| Dependent Variables | Independent Variables | | | | | | | | | | |
| | Intercept | EDUC | POL | COR | IMPLEIS | IMPREL | JUSTPROS | TRUST-FAM | IMP NAT | MENPOL | IMPENV |
| LABTXPRO | 23.15 (0.630) | 0.673 -0.66 (0.150) | 0.334 (0.150) | -1.107 (-0.700) | -25.443 (-1.460) | 1.104 (0.110) | -1.243 (-0.080) | 11.125 (0.420) | -10.747 (-0.950) | -19.883 (-0.940) | 17.415 (0.610) |
| OTXPROF | -25.366 (-1.000) | 0.222 (0.410) | 2.379 (1.340) | -0.86 (-0.560) | 6.762 (0.510) | -8.363 (-0.870) | -1.178 (-0.190) | 25.238 (1.050) | 7.617 (0.870) | -19.423 (-1.210) | -7.41 (-0.430) |
| TTRPROF | 27.225 (0.620) | 0.205 (0.210) | 1.072 (0.390) | -1.648 (-0.740) | -13.816 (-0.690) | -4.806 (-0.350) | -1.513 (-0.090) | 30.802 (0.880) | 7.43 (0.580) | -45.062 (-1.770) ** | -11.921 (-0.370) |
| DOCEX | 6.234 (2.330) * | -0.343 (-4.380) * | 0.345 (1.440) | -0.007 (-0.030) | -0.563 (-0.240) | -0.879 (-0.730) | 0.308 (0.260) | 1.381 (0.620) | 1.903 (1.600) | -1.725 (-0.730) | -5.674 (-1.660) |
| TIMEX | 20.039 (1.020) | -1.913 (-4.010) * | 1.58 (1.040) | -0.24 (-0.250) | -11.052 (-1.110) | 7.67 (1.440) | -2.311 (-0.290) | 12.465 (0.720) | 2.246 (0.340) | -10.281 (-0.730) | -10.866 (-0.670) |
| COSEX | 2830.526 (1.560) | -72.109 (-1.460) | 46.492 (0.420) | -42.323 (-0.470) | 1152.667 (0.830) | 60.986 (0.080) | -162.121 (-0.210) | -1477.905 (-1.070) | -45.528 (-0.080) | 126.121 (0.080) | -374.162 (-0.190) |
| DOCIM | 5.844 (2.390) * | -0.367 (-4.720) * | 0.429 (2.520) * | 0.092 (0.650) | -3.052 (-1.430) | 1.925 (2.070) * | -1.194 (-1.290) | 2.35 (1.040) | 0.978 (0.790) | -4.934 (-2.160) * | -0.693 (-0.200) |
| TIMIM | 28.267 (1.250) | -2.148 (-4.150) * | 2.038 (1.240) | -0.071 (-0.070) | -18.793 (-1.610) | 12.083 (2.010) ** | -5.762 (-0.570) | 4.605 (0.220) | 3.563 (0.490) | -11.666 (-0.670) | -4.393 (-0.230) |
| COSIM | 3915.007 (1.530) | -177.212 (-2.330) * | 21.161 (0.130) | -47.879 (-0.350) | 1284.032 (0.610) | 234.445 (0.190) | -222.703 (-0.200) | -1260.4 (-0.670) | 187.804 (0.240) | 427.719 (0.180) | -1481.129 (-0.480) |
| TIMENCON | 1720.23 (3.430) * | -2.037 (-0.210) | -74.593 (-1.790) ** | -72.01 (-2.340) * | -495.214 (-1.530) | 376.265 (2.120) * | -799.198 (-3.360) * | 99.689 (0.330) | 8.687 (0.050) | 67.996 (0.210) | -634.522 (-1.140) |
| COSENCON | -15.507 (-0.340) | -2.616 (-1.920) ** | 7.398 (2.090) * | 3.769 (1.630) | -46.314 (-1.090) | -17.76 (-0.730) | -3.781 (-0.200) | 5.285 (0.160) | 42.516 (2.200) * | 6.143 (0.140) | 30.236 (0.510) |
| PRCENCON | 51.166 (4.380) * | 0.138 (0.480) | -1.166 (-1.450) | -1.172 (-2.230) * | -5.769 (-0.840) | 9.73 (2.040) ** | -11.49 (-2.470) * | 0.071 (0.010) | -5.48 (-1.180) | -12.489 (-1.350) | 17.459 (1.240) |
| TIMRES | 4.547 (2.340) * | -0.066 (-1.640) | 0.02 (0.130) | -0.262 (-2.130) * | -2.427 (-1.550) | -0.468 (-0.560) | -0.171 (-0.190) | 0.242 (0.140) | 1.375 (2.170) * | -0.676 (-0.430) | 0.4 (0.200) |
| COSRES | 48.133 (1.880) ** | -0.994 (-1.480) | -1.124 (-0.750) | -4.375 (-4.030) * | 48.397 (3.400) * | -27.798 (-3.170) * | 10.082 (1.100) | -10.019 (-0.550) | 10.197 (1.250) | 34.449 (1.850) ** | -55.986 (-2.430) * |
| RECRATE | -37.58 (-1.070) | 1.436 (1.330) | -0.028 (-0.010) | 10.243 (4.430) * | -19.627 (-0.660) | 32.964 (3.150) * | -4.088 (-0.280) | 27.93 (0.830) | -31.754 (-2.970) * | -36.745 (-0.850) | 71.03 (1.550) |
| | * indicates statistical significance at the 5% level | | | | | | | | | | |
| | ** indicates statistical significance at the 10% level | | | | | | | | | | |
| | n=41, t-ratios are reported in parentheses below the estimated parameters | | | | | | | | | | |

An increase in the variable IMPLEIS (importance of leisure), the percent of respondents in a country who answered that leisure time was “very important,” resulted in a reduction in (a) the time in days and cost of starting a business and (b) paid-in minimum capital needed to start a business. It also resulted in an increase in the cost of resolving insolvency. Those who place a high value on leisure time may strive to be more efficient in their work efforts to avoid overtime and time spent duplicating activities or correcting mistakes. In this case, time and cost involved in business activities will be reduced. Too much of an emphasis on leisure, however, could come at the expense of running a business and costs of operation could increase.

An increase in IMPREL (importance of religion), the percent of those surveyed who answered that religion was “very important” in their life, led to increases in (a) the cost and paid-in minimum capital necessary to start a business, (b) the time in days needed for a business to get electricity, (c) the number of procedures required to register property, (d) the number of documents businesses needed to import goods, (e) the time in days needed to enforce contracts, and (f) the recovery rate in cents on the dollar when resolving insolvency. IMPREL led to a decrease in the cost of resolving insolvency. Religion has a profound effect on doing business. As stated earlier, Granato, Inglehart, and Leblang (1996) found that “religious faith” did not support “achievement motivation.” Those who are more religious may be less concerned about profit, saving, and investing and more concerned about sharing with others. Under these circumstances, there may be less of an urgency to reduce the time and cost involved in business activities.

An increase in JUSTPROS (justification of prostitution), percent of those surveyed who responded that prostitution was “never justifiable,” was associated with reductions in (a) the cost and paid-in minimum capital needed to start a business, (b) the cost of registering property, and (c) the time in days and number of procedures needed to enforce contracts. Those individuals who believe that prostitution is never justifiable may also be those who have more traditional and conservative values, including the protestant work ethic. If hard work and the rewards it brings are important in a society, reductions in time and cost of doing business would be expected.

An increase in the variable TRUSTFAM (trust in family), the percent responding that they trusted them completely, was associated with an increase in the paid-in minimum capital necessary to start a business. Individuals who trust their family members completely may or may not develop a strong trust in strangers. If they only give their trust and confidence to those they have known for several years, the result may be more regulations and restrictions imposed on new business ventures.

An increase in IMPNAT (importance of nationality), the percent of those surveyed who answered that they were “very proud” of their nationality, led to reductions in (a) paid-in minimum capital necessary to start a business and (b) the recovery rate in cents on the dollar in resolving insolvency. It led to increases in (a) the time in days needed to register property, (b) the cost of enforcing contracts, and (c) the time needed to resolve insolvency. Nationalism and the loyalty and pride it calls forth can cause individuals to go beyond the call of duty and help one another in an effort to raise the standing of the nation in the world. Businesses may become more effective and efficient. However, nationalism can in some cases come at the expense of

individual identity, self interest, and individual profit. In these cases, time involved in business activities and cost of doing business can increase.

An increase in the variable MENPOL (men make better political leaders), the percent of respondents who “strongly agreed” to the statement that men make better political leaders, led to decreases in (a) paid-in minimum capital required to start a business, (b) the time in days needed for a business to get electricity, and (c) the number of documents needed to import goods. In nations where men are thought to be better political leaders, there may be some jobs that are thought to be more suited for men and other jobs that are thought to be more suited for women. In many Asian countries, corporate boards are still dominated by men. While some studies have shown that women in top management positions are more effective in terms of return on assets (Dezo, C.L. & Ross, D.G., 2011), other studies have shown that women dominated corporate boards can result in lower profits (Matsa, D.A. & Miller, A.R., 2013). The results from this study indicate that the belief that men make better political leaders has not increased the inefficiencies of doing business and in some cases, has led to decreases in the time, cost, and procedures of doing business.

An increase in the variable IMPENV (importance of the environment), the percent of those surveyed who “strongly agreed” to the statement that they would give up part of their income for the environment, was associated with increases in (a) the cost and paid-in minimum capital necessary to start a business and (b) the time in days required for a business to get electricity. It was associated with decreases in (a) the number of procedures and time in days needed to register property, (b) the percent of adults with access to private bureau coverage for obtaining credit, and (c) the cost of resolving insolvency. When a large percent of those in a nation are in favor of protecting the environment, regulations may be imposed on businesses that place restrictions on their activities. Under normal circumstances this could lead to increases in time and cost of doing business. However, in those nations with a populace that is more concerned about the environment there also tends to be high levels of education and income which tend to be associated with high skill levels and “achievement motivation.” These factors increase the efficiency of doing business and lead to reductions in time and cost involved in business activities.

While many studies have used cultural variables taken from the WVS, just as many studies have used the Hostede variables to represent the effects of culture. To examine the effects of the Hostede variables on different aspects of engaging in global business, equation (1) was specified as follows.

$$(3) \quad y = \beta_1 + \beta_2 \cdot education + \beta_3 \cdot corruption + \beta_4 \cdot PoliticalInstability + \beta_5 \cdot PowerDistance + \beta_6 \cdot Individualism + \beta_7 \cdot Masculinity + \beta_8 \cdot UncertaintyAvoidance + \varepsilon .$$

The estimates of this equation appear in Table 3 where EDUC represents education, COR represents corruption, POL represents political instability, PDI represents power distance, IDV represents individualism, MAS represents masculinity, and UAI represents uncertainty avoidance. The variable y again represents different aspects of engaging in business. All equations were estimated using least-squares and heteroscedasticity-consistent standard errors are reported. After deleting observations with missing values, 91 observations were used.

The regression results indicate that for those nations ranking higher in power distance (PDI) there is a reduction in (a) the time in days needed to start a business and (b) the profits tax rate. In nations ranking high in power distance, the order of inequality is well defined and accepted. Some members of society have more power than others and the less powerful accept this. In such societies, an atmosphere and business environment that helps those in power such

| Table 3: Hofstede Regression Results | | | | | | | | |
|--------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|--------------------|
| Dependent Variables | Independent Variables | | | | | | | |
| | Intercept | EDUC | COR | POL | PDI | IDV | MAS | UAI |
| PRCSTART | 16.031 (5.550)* | 0.097 (0.500) | -0.987 (-4.640)* | -0.683 (-2.390)* | -0.025 (-1.320) | -0.039 (-2.070)* | 0.024 (1.810)** | 0.008 (0.570) |
| TIMSTART | 74.855 (3.960)* | 0.269 (0.240) | -4.565 (-3.590)* | -2.646 (-1.440) | -0.206 (-2.200)* | -0.241 (-1.670)** | 0.077 (0.730) | -0.008 (-0.100) |
| COSSTART | 44.743 (2.380)* | -5.139 (-3.940)* | -0.783 (-0.710) | 2.037 (1.080) | 0.012 (0.150) | 0.175 (1.790)** | -0.016 (-0.240) | 0.015 (0.240) |
| PDINMIN | 175.93 (2.420)* | -15.538 (-2.420)* | 0.569 (0.120) | -9.944 (-1.410) | -0.028 (-0.130) | 0.5 (2.220)* | 0.254 (1.200) | 0.042 (0.260) |
| PRCCONST | 23.584 (2.570)* | 0.356 (0.900) | -2.393 (-2.970)* | -1.956 (-2.110) | 0.087 (1.620) | 0.11 (1.970)** | -0.066 (-1.780)** | 0.081 (2.040)* |
| TIMCONST | 312.37 (3.510)* | 3.609 (0.750) | -30.395 (-4.330)* | -16.641 (-1.960)** | 0.186 (0.310) | 0.837 (1.470) | -0.439 (-1.080) | 0.772 (2.150)* |
| COSCONST | 1016.093 (2.660)* | -45.442 (-2.220)* | -50.965 (-2.450)* | -32.401 (-0.680) | 1.3 (0.690) | 2.632 (1.380) | -1.953 (-1.720)** | -1.044 (-0.920) |
| PRCELEC | 6.806 (6.150)* | -0.002 (-0.030) | -0.357 (-3.720)* | -0.096 (-0.810) | 0.005 (0.690) | 0.013 (1.720)** | -0.006 (-0.870) | 0.003 (0.530) |
| TIMELEC | 94.173 (1.420) | 0.617 (0.160) | -16.724 (-2.800)* | 2.253 (0.310) | -0.071 (-0.170) | 1.368 (3.750)* | 0.405 (1.450) | 0.058 (0.250) |
| COSELEC | 4335.026 (2.910)* | -491.416 (-2.600)* | 67.225 (0.480) | 107.224 (0.720) | -7.122 (-1.020) | 10.064 (1.420) | -0.616 (-0.130) | -2.076 (-0.470) |
| PRCPROP | 5.61 (2.320)* | -0.061 (-0.460) | -0.407 (-2.300)* | 0.076 (0.350) | -0.003 (-0.190) | 0.008 (0.580) | 0.02 (1.730)** | 0.018 (1.640) |
| TIMPROP | 98.878 (2.260)* | -3.09 (-1.230) | -5.18 (-1.750)** | -1.257 (-0.270) | -0.174 (-0.500) | 0.036 (0.110) | 0.074 (0.440) | 0.108 (0.610) |
| COSPROP | 9.002 (1.880)** | -0.695 (-2.650)* | -0.092 (-0.260) | 0.365 (0.740) | -0.03 (-1.250) | 0.036 (1.190) | 0.013 (0.820) | 0.004 (0.220) |
| PUBCOV | 1.858 (0.080) | 0.511 (0.480) | -1.245 (-0.730) | -1.268 (-0.530) | 0.159 (1.20) | 0.096 (0.640) | -0.176 (-1.710)** | 0.199 (1.450) |
| PVTCOV | -22.396 (-0.650) | 7.903 (4.850)* | 1.956 (0.700) | 0.939 (0.280) | -0.347 (-1.670)** | -0.363 (-1.390) | 0.121 (0.650) | 0.204 (1.150) |
| NUMTXPAY | 41.276 (2.170)* | 0.887 (0.740) | -2.863 (-1.870)* | 0.886 (0.550) | 0.019 (0.140) | -0.198 (-1.800)** | -0.072 (-0.740) | -0.092 (-0.880) |
| TIMPAYTX | 923.561 (2.950)* | -0.916 (-0.070) | -70.433 (-3.310)* | -41.299 (-1.250) | -1.73 (-1.730)** | -0.757 (-0.500) | 0.674 (0.980) | 0.844 (0.800) |
| TAXPROF | 37.226 (5.070)* | -0.885 (-2.380)* | -0.565 (-0.820) | -0.474 (-0.550) | -0.115 (-2.37)* | -0.006 (-0.140) | 0.042 (0.930) | -0.041 (-1.080) |

| Table 3 (Continued) : Hofstede Regression Results | | | | | | | | |
|---|---|-----------------------|----------------------|----------------------|--------------------|--------------------|--------------------|---------------------|
| Dependent Variables | Independent Variables | | | | | | | |
| | Intercept | EDUC | COR | POL | PDI | IDV | MAS | UAI |
| LABTXPRO | 7.523 (0.530) | 1.016 (1.760)** | -2.353 (-2.340)* | -2.039 (-1.440) | 0.109 (1.300) | 0.235 (2.650)* | -0.014 (-0.240) | 0.163 (2.820) * |
| OTXPROF | -1.691 (-0.260) | 0.648 (1.350) | -1.014 (-1.420) | 2.134 (1.900)** | -0.05 (-0.560) | 0.022 (0.360) | -0.027 (-0.310) | -0.024 (-0.440) |
| TTRPROF | 42.956 (3.060)* | 0.781 (1.110) | -3.928 (-3.510)* | -0.371 (-0.220) | -0.055 (-0.450) | 0.251 (2.400)* | 0.001 (0.010) | 0.099 (1.300) |
| DOCEX | 9.29 (6.040)* | -0.38 (-4.440) * | -0.23 (-1.980)** | 0.02 (0.140) | 0.002 (0.250) | 0.013 (1.270) | -0.002 (-0.410) | 0.005 (0.700) |
| TIMEX | 35.949 (5.150)* | -1.483 (-2.800)* | -1.836 (-3.310)* | 0.391 (0.430) | -0.023 (-0.590) | 0.061 (1.230) | -0.006 (-0.150) | -0.011 (-0.420) |
| COSEX | 1063.507 (2.540)* | -61.32 (-2.270) * | -37.043 (-1.140) | 62.008 (1.180) | -3.28 (-1.080) | 6.045 (2.140)* | 4.455 (1.890)** | 2.93 (1.620) |
| DOCIM | 10.456 (7.170)* | -0.308 (-3.940)* | -0.401 (-3.350)* | -0.173 (-1.290) | 0.007 (0.730) | 0.012 (1.080) | -0.003 (-0.540) | 0.011 (1.730)** |
| TIMIM | 42.447 (5.440)* | -1.785 (-3.070)* | -2.226 (-3.560)* | 0.295 (0.280) | -0.043 (-0.960) | 0.048 (0.800) | 0.039 (0.820) | -0.012 (-0.400) |
| COSIM | 1565.941 (2.940)* | -128.588 (-2.950)* | -29.619 (-0.700) | 86.916 (1.300) | -4.867 (-1.310) | 7.77 (2.270)* | 4.987 (1.930)** | 4.038 (1.880)** |
| TIMENCON | 1166.13 (3.160)* | -14.652 (-0.760) | -60.223 (-2.250)* | -37.268 (-0.970) | -0.863 (-0.420) | -0.119 (-0.050) | -0.569 (-0.330) | 2.314 (1.720)** |
| COSENCON | 49.091 (2.470)* | -2.482 (-1.640) | 0.437 (0.360) | 3.104 (1.800) ** | -0.074 (-0.990) | -0.099 (-1.120) | 0.063 (0.940) | -0.196 (-2.950)* |
| PRCENCON | 54.142 (8.380)* | -0.783 (-2.580) * | -1.664 (-3.160)* | -1.368 (-2.150) * | 0.021 (0.530) | 0.028 (0.800) | -0.032 (-1.410) | 0.045 (1.720) ** |
| TIMRES | 6.367 (4.750)* | -0.062 (-0.840) | -0.397 (-3.930)* | -0.21 (-1.450) | 0.004 (0.360) | -0.002 (-0.270) | -0.003 (-0.530) | 0 (0.000) |
| COSRES | 23.234 (3.680)* | 0.432 (0.910) | -1.914 (-3.240)* | -0.188 (-0.230) | -0.021 (-0.340) | -0.077 (-1.470) | 0.098 (2.590)* | -0.051 (-1.600) |
| RECRATE | -1.399 (-0.080) | 1.367 (1.580) | 6.682 (4.500)* | 0.693 (0.390) | -0.053 (-0.450) | 0.105 (0.750) | 0.054 (0.570) | -0.088 (-1.030) |
| | * indicates statistical significance at the 5% level | | | | | | | |
| | ** indicates statistical significance at the 10% level | | | | | | | |
| | n=91, t-ratios are reported in parentheses below the estimated parameters | | | | | | | |

as business owners, could be adopted and more readily accepted. A reduction in the time and cost involved in business activities would be expected as would a reduction in the profits tax rate.

Nations ranking higher in “individualism” (IDV) experienced increases in (a) paid-in minimum capital requirements to start a business, (b) the time in days needed for a business to get electricity, (c) the tax rate on labor and labors’ contributions, (d) the overall tax rate, and (e) the cost of exporting and importing goods. There was a decrease in the number of procedures necessary to start a business. The degree to which society emphasizes and rewards individual performance versus group performance appears to have a widespread effect on doing business. When individual performance is emphasized and rewarded, it can lead to innovation, hard work, and a striving for excellence. It is not, however, without its flaws. In an effort to excel and distinguish ones’ self from others, the team and the company may be sacrificed. What is good for the individual is not always good for the group. In many “collectivist” societies, individuals may be more concerned about reducing the time and cost involved in business activities and less concerned about personal needs.

In societies ranking high in “masculinity” (MAS) there was an increase in the cost of resolving insolvency. It may be that the more assertive and competitive individuals are, the greater is the cost and time involved in resolving and settling issues.

For those nations ranking higher in “uncertainty avoidance” (UAI) there was an increase in (a) the time in days and number of procedures required to deal with construction permits and (b) the tax rate on labor and labors’ contributions. There was a decrease in the cost of enforcing contracts. In nations ranking high in “uncertainty avoidance,” uncertain situations are avoided. People prefer formal rules and structure. In these societies, more business regulations and restrictions may be implemented which could result in increases in the time and cost of engaging in business. Formal regulations can, however, reduce certain expenses such as the cost of enforcing contracts if parties know in advance what rules must be followed.

5. Discussion and conclusions

While the effects of culture on economic growth, economic development, foreign direct investment (FDI), and the formation of joint ventures, have been examined in the literature, little if any work has been done on how culture affects specific aspects of engaging in international business such as 1) starting up a business, 2) dealing with construction permits, 3) registering property, 4) getting credit, 5) protecting investors, 6) paying taxes, 7) trading across borders, 8) enforcing contracts, 9) resolving insolvency, 10) getting electricity, and 11) employing workers. The purpose of this paper was to fill this research gap. To do this, data from the World Bank’s annual report on “Doing Business 2012” was used which provided quantitative indicators of the eleven aspects of doing business described above for 183 countries. After controlling for education, corruption, and political instability, two sets of variables were used to represent culture. The first set of cultural variables was taken from the World Values Survey 2005 to 2008

and included 1) the importance of leisure, 2) the importance of religion, 3) the justification of prostitution, 4) trust in one's family, 5) the importance of nationality (nationalism), 6) the belief that men make better political leaders than women, and 7) the importance of the environment. The second set of cultural variables used in the study consisted of the Hofstede Indices, 1) power distance, 2) individualism, 3) masculinity, and 4) uncertainty avoidance.

The effects of these cultural variables on different business activities are complex. When leisure is important in a society it does not necessarily follow that work effort is reduced. Work may simply be done more efficiently with fewer procedures and at a lower cost. When religion is important in a nation the incentive to share and help others may dominate saving, investing, and striving for maximum profit. Number of procedures and costs of different aspects of doing business may increase. However, religion often binds individuals to one another and brings out the best in individuals causing them to go out of their way for one another. Business can be performed more efficiently. A similar situation occurs regarding nationalism. When individuals are proud of their nation and what it stands for, they are bound by strong ties to one another. Helping a neighbor helps lift the entire nation and business can thrive in such an atmosphere. However, nationalism can result in a loss of individual identity and too much sharing with others which can lead to lower levels of personal saving and achievement motivation. Business activities could suffer. This duality involved with cultural variables also occurs when a nation and its citizens are very concerned about the environment. A strong concern for the environment can lead to business regulations and restrictions that make doing business more difficult and costly. On the other hand, many of the nations that are concerned about the environment are those that exhibit high levels of education and income. The people of these nations are highly trained and skilled individuals and they conduct business in a very efficient manner and at a low cost.

The complex effects of culture on doing business are also exhibited when the Hofstede variables are used. Nations ranking high in power distance can be very efficient in business activities. Everyone knows their place and stature in society and they are accepting of it. However, in other economies it is the dissatisfaction with one's life and position that he/she has in it, that causes him or her to work and push that much harder to improve his/her situation. In such economies, businesses thrive and business activities are performed effectively and efficiently. The cultural trait of "individualism" also has its dual effects. Nations ranking high in individualism have individuals striving to do their best for the rewards it brings. The result can be a flourishing business environment. Being too concerned about one's own achievements at the expense of the team, group, or company, however, can lead to bad business outcomes. Similar results hold for the cultural characteristic of uncertainty avoidance. Avoiding uncertainty and preferring formal rules and structure can be good for business. It can also lead, however, to conservative decisions that may not provide the greatest profit and return.

While the effects of culture on doing business are complex, the results of this study indicate that certain procedures and costs of doing business are in fact improved upon while others are not. A summary of the effects of the cultural variables examined in this study on the different categories of doing business in the global community are contained in Table 4. The direction of the arrows shows the change in a business activity in the first column (increase/decrease) for an increase in one of the cultural variables. Therefore an increase in the

importance of leisure, IMPLEIS, resulted in a decrease in the time in days needed to start a business. An increase in the importance of religion, IMPREL, resulted in an increase in the cost of starting a business. Only those business activities that were affected by one of the cultural variables were included in the table.

If a multinational enterprise (MNE) is considering a market or country to enter, the effects of culture on different aspects of engaging in business will be of paramount importance. If for instance, time in days needed to start a business must be short, then the MNE may want to consider nations that rank high in power distance and/or where leisure is important. If the cost of starting a business needs to be low, the MNE may consider nations where there is less of an emphasis placed on religion and the environment and more of an emphasis placed on leisure. Nations where prostitution is not tolerated may also be considered. While there are many factors that companies need to take into account when making decisions of where to operate such as available infrastructure, the rule of law, and availability of natural resources, culture is among those factors that has a significant influence on doing global business.

Table 4. The Effects of Culture on Doing Business

| | IMPLEIS | IMPREL | JUSTPRO | TRUSTFAM | IMPAT | MENPOL | IMPENV | PDI | IDV | MAS | UAI |
|----------|---------|--------|---------|----------|-------|--------|--------|-----|-----|-----|-----|
| PRCSTART | | | | | | | | | ↓ | | |
| TIMSTART | ↓ | | | | | | | ↓ | | | |
| COSSTART | ↓ | ↑ | ↓ | | | | ↑ | | | | |
| PDINMIN | ↓ | ↑ | ↓ | ↑ | ↓ | ↓ | ↑ | | ↑ | | |
| PRCCONST | | | | | | | | | | | ↑ |
| TIMCONST | | | | | | | | | | | ↑ |
| TIMELEC | | ↑ | | | | ↓ | ↑ | | ↑ | | |
| PRCPROP | | ↑ | | | | | ↓ | | | | |
| TIMPROP | | | | | ↑ | | ↓ | | | | |
| COSPROP | | | ↓ | | | | | | | | |
| PVTCOV | | | | | | | ↓ | | | | |
| TAXPROF | | | | | | | | ↓ | | | |
| LABTXPRO | | | | | | | | | ↑ | | ↑ |
| TTRPROF | | | | | | | | | ↑ | | |
| COSEX | | | | | | | | | ↑ | | |
| DOCIM | | ↑ | | | | ↓ | | | | | |
| TIMENCON | | ↑ | ↓ | | | | | | | | |
| COSENCON | | | | | ↑ | | | | | | ↓ |
| PRCENCON | | | ↓ | | | | | | | | |
| TIMRES | | | | | ↑ | | | | | | |
| COSRES | ↑ | ↓ | | | | | ↓ | | | ↑ | |
| RECRATE | | ↑ | | | ↓ | | | | | | |

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Figure 1. The Importance of Leisure Time in Life—Percent Responding That It Was “Very Important”

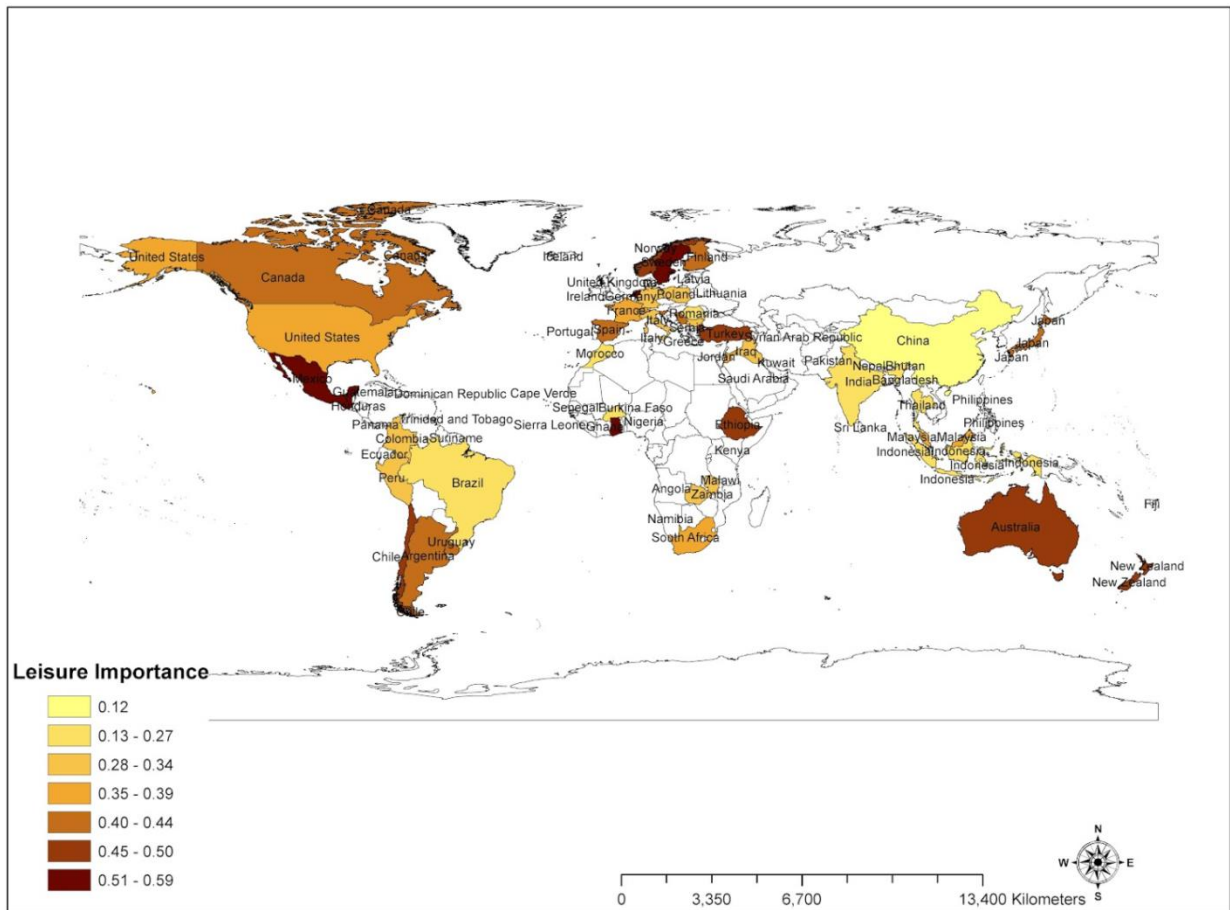


Figure 2. The Importance of Religion in Life—Percent Responding That It Was
“Very Important”

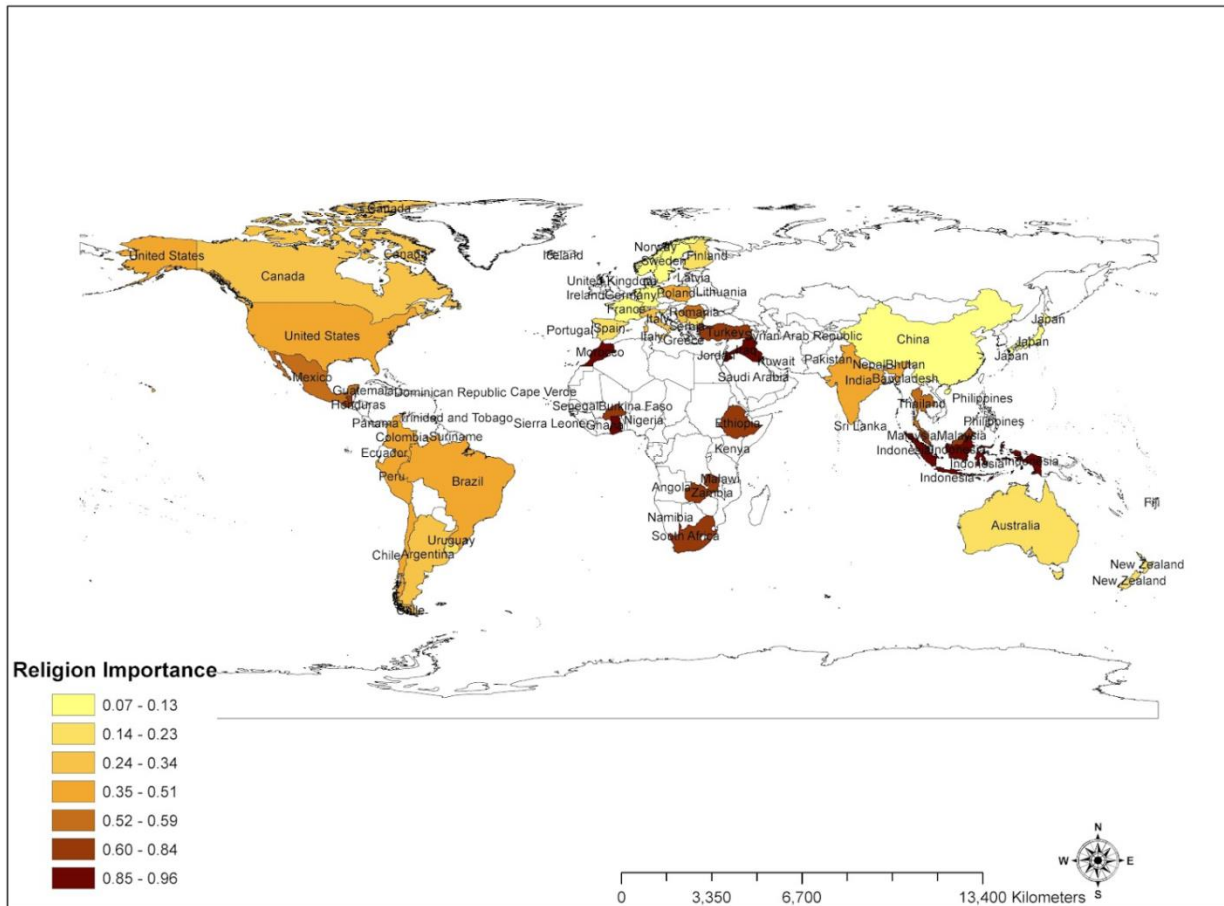


Figure 3. Pride in Nationality—Percent Responding They Were “Very Proud”

