



Indo-Dutch Business & Culture

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As outlook of commercial cooperation and business alliances between India and the Netherlands remains promising and continues to grow, Indian and Dutch entrepreneurs who consider doing business in each other's country, will need to understand one another. Peter Ester & Pieter van Nispen report on the main differences between Indian and Dutch culture with an attempt to enhance understanding using the cultural typology as developed by Geert Hofstede, renowned international scholar of cross-national cultural differences.

The outlook of commercial cooperation and business alliances between India and the Netherlands is very promising. India is a major global economic player with the obvious advantage of an enormous home market. The Indian economy is enjoying a virtuous cycle of strong growth translating into rising incomes, supporting higher spending and consumption as well as demand for, and investment in, infrastructure and new companies. According to the Goldman Sachs forecast, India will become the world's third largest economy by 2030. The Indian economy is expected to grow in 2012-2016 by 7.7% on average. The Netherlands ranks sixth in foreign direct investment (FDI) – even before Germany and France - into India and amounts to \$ 7.5 billion. Indian investment into the Netherlands is still modest, also because Indian companies are strongly oriented on the home market and the Netherlands is not interesting for natural resources (although technologies might be interesting). A better balance would fit the economies of both countries. Service sectors and high tech sectors are the most popular FDI targets. Indian export to the Netherlands adds to € 3.6 billion; Dutch (direct) export to India is € 1.7 billion. The recent *Business opportunities report India* of the ING Economics Department expects Dutch (direct and indirect) exports to India to increase to €7.6 billion in 2016.

The high potential of mutual business prospects and projected growth rates imply that Indian and Dutch entrepreneurs who consider doing business in each other's country, need to understand one another. This implies knowledge of the cultural differences between both countries and the ways and means of dealing with them. Cultural barriers are often an important impediment in cross-continental business. This is particularly true for societies such as India and the Netherlands, which are so dissimilar in terms of culture, religion, history, politics, ethnic composition, and way of life.

A first step for Dutch and Indian entrepreneurs is a practical awareness of the basic cultural dissimilarities between their societies. The cultural typology as developed by Geert Hofstede, renowned international scholar of cross-national cultural differences, is very helpful in this respect. In this article we outline this typology and report on the main differences between Indian and Dutch culture. Hofstede distinguishes between six

dimensions on which national cultures may diverge. The first dimension is *power distance*, which relates to the degree in which a society expects and accepts that power is distributed unequally. The second dimension is *uncertainty avoidance*, which indicates whether members of a society feel threatened by uncertain or unknown circumstances. *Individualism* is the third dimension and refers to a society in which mutual social ties are rather loose. Its antipode is collectivism, which emphasizes group loyalty and group identity. *Masculinity* is the fourth dimension and reflects cultural values such as success orientation and achievement goal setting. Femininity is the contrasting dimension accentuating the need for values related to quality of life. The fifth dimension is *long-term orientation* and describes a society's time horizon combining the importance of the future with pragmatic virtues and adjustment to change competence. Short-term orientation fosters virtues related to the past and present such as national pride, respect for tradition, preservation of 'face', and fulfilling social obligations. The sixth and last dimension is *indulgence versus constraint* which signals the degree to which a culture allows or suppresses gratification of needs and human drives related to hedonism and consumerism.

Based on cross-national survey data collected by Hofstede over several decades, a comparison can be made of how Indian and Dutch people value these six cultural dimensions. It enables a quick assessment of the most salient cultural differences in basic values, norms and standards between both societies.

Table 1 Cultural differences between India and the Netherlands: Hofstede dimensions (relative country scores)		
	India	Netherlands
Power distance	77	38
Uncertainty avoidance	40	53
Individualism versus collectivism	48	80
Masculinity versus femininity	56	14
Long-term orientation	61	44
Indulgence versus restraint	26	68

Source: Hofstede, G., Hofstede, G.J. and Minkov, M. (2010): *Cultures and Organizations, Software of the Mind, Intercultural Cooperation and Its Importance for Survival*, New York, McGraw-Hill (revised and expanded third edition)

The data show marked cultural distinctions between India and the Netherlands. Power distance is much more accepted in India than in the Netherlands. Indian national culture emphasizes hierarchy, top down command structures and power centralization whereas Dutch national culture favours equality and informality. This dimension of power distance displays the strongest cultural contrasts between both countries and may be well recognised in the organisational cultures within both countries. Uncertainty avoidance is slightly more underlined in Dutch society. Indian national culture is more at ease with imperfection, tolerance for the unexpected, and the inclination to adjust to changing circumstances (think about quality assurance for instance). The dimension of

individualism versus collectivism reveals relatively robust differences between Indian and Dutch society. Indian culture is a culture that favours collectivist attitudes, of being part of a larger social framework and of being affiliated with defined in-groups. Group loyalty is crucial (do not expect initiatives by individuals). Dutch national culture, however, stresses the importance of personal independence, self-direction, and the norm of taking care's for oneself and one's family only.

The dimension of masculinity also shows clear cultural distinctions between India and the Netherlands. Masculine attitudes are much more embraced by Indians than by the Dutch. Indian culture honours competition, achievement, and success (e.g. acceptance of concepts like employee of the month) to a much larger degree than Dutch culture which priorities quality of life concerns. A long-term orientation is more characteristic for Indian society than for Dutch society. Indian culture is both future-oriented and pragmatic; time is non-linear and the concept of 'karma' rather than historical reasoning determines cultural perspectives (the urgency of change may be felt to a lesser degree, even if the need for change is not a point of discussion). Dutch culture, in comparison, is short-term oriented, focussed on quick results, with an eye for historical context. The dimension of indulgence versus restraint, finally, indicates that self-limitation and norm regulation is much more articulated in Indian culture (the law is the law and even if you do not like it, you will still adhere to it), whereas Dutch culture allows for hedonism and immediate need gratification.

These substantial cultural differences between Indian and Dutch society have clear implications for business collaboration between the two countries. Co-operation and negotiation are often hampered by cultural non-understanding. With these cultural distinctions in mind, Indian and Dutch entrepreneurs are better equipped for advancing their common business interests and for strengthening the bilateral economic ties between the two countries. For Dutch companies accessing the Indian market and for Indian companies getting into the Dutch market it is imperative to comprehend the cultural factor. Indo-Dutch business collaboration and mutual cultural understanding need to go hand in hand.

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