



Using cultural intelligence to enhance your compliance program

Overview

Piracy is a rampant global problem that is made more complex by differing attitudes in foreign cultures as to the seriousness of the crime.

There are fundamental differences in values, behaviors, and attitudes that are expressed in cultures worldwide, and these have a significant impact on decision-making processes in business situations between different countries. Attitudes differ toward corporate accountability, due diligence, bribery, hiring, and more; resulting in a situation where there is no “one size fits all” behavior that can be expected.

For software developers, piracy is a rampant global problem that is made more complex by differing attitudes in foreign cultures as to the seriousness of the crime. Traditionally, piracy was mostly ignored by software vendors, but today many are actively seeking to do something about the problem. When trying to confront infringers on their own, companies can make costly mistakes if they are not sensitive to regional cultures and laws.

This white paper provides an overview of the basic dimensions of culture worldwide and some of the characteristics that should be understood before embarking on a compliance program in order to have the best chance of success.



A cultural example

Culture is defined as the sum of attitudes, customs, and beliefs that distinguishes one group of people from another. Culture is transmitted through language, material objects, rituals, institutions, and art, from one generation to the next.

Consider this example. You are riding in a car driven by a close friend. The friend hits a pedestrian. You know he was going at least 35 miles per hour in an area of the city where the maximum allowed speed is 20 miles per hour. There were no witnesses. Your friend's lawyer says that if you testify under oath that he was only driving 20 miles per hour it may save him from serious consequences.



What right does your friend have to expect you to lie to protect him?

a. He has a definite right as a friend to expect me to testify to the lower speed

b. He has some right as a friend to expect me to testify to the lower speed

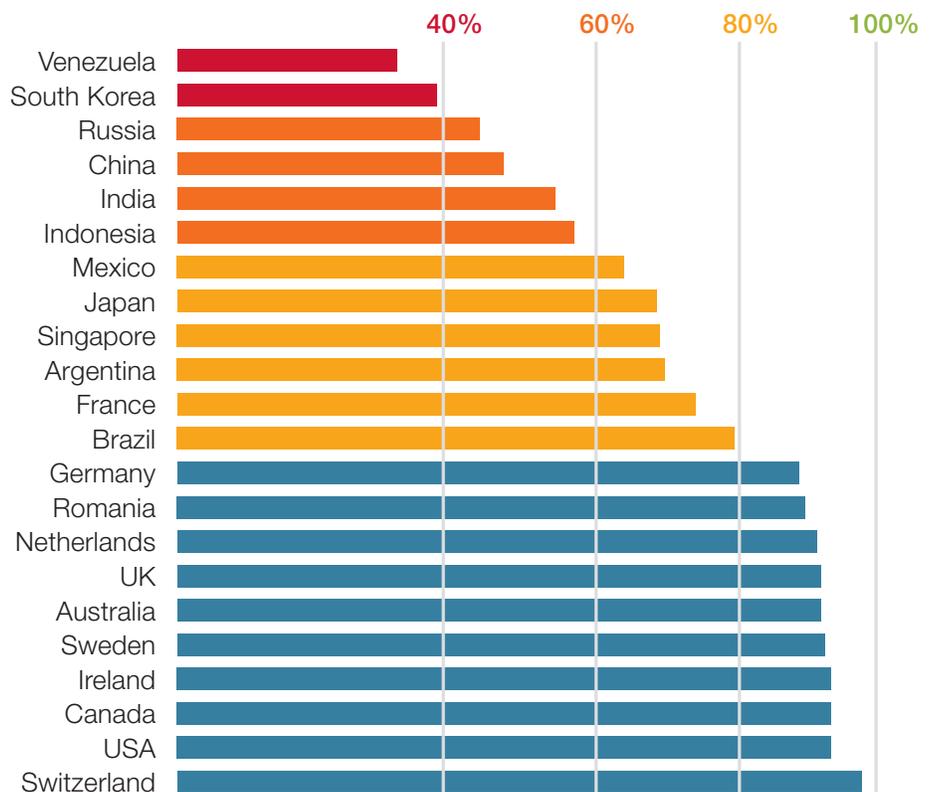
c. He has no right as a friend to expect me to testify to the lower speed

What would you do in view of the obligations of a sworn witness versus the obligation to your friend?

d. Testify that he was going 20 miles per hour

e. Not testify that he was going 20 miles per hour

In research based on a study by Fons Trompenaars and Charles Hampden-Turner, the below chart provides the percentage opting for **either B or C plus E** in a variety of countries:



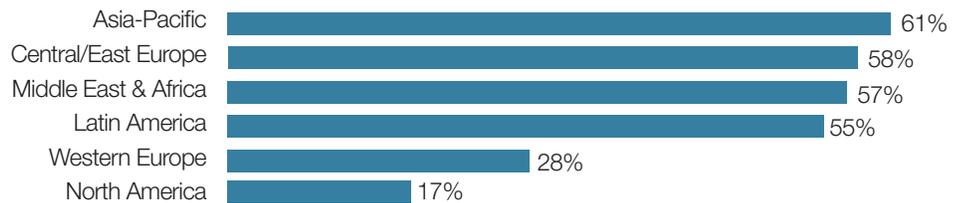
Trompenaars and Hampden-Turner sent questionnaires to more than 46,000 managers in 40 countries. They found that people in different cultures differ from each other in very specific, predictable ways because each culture has its own way of thinking, its own values and beliefs, and its own preferences based on a variety of different factors.

What is cultural intelligence?

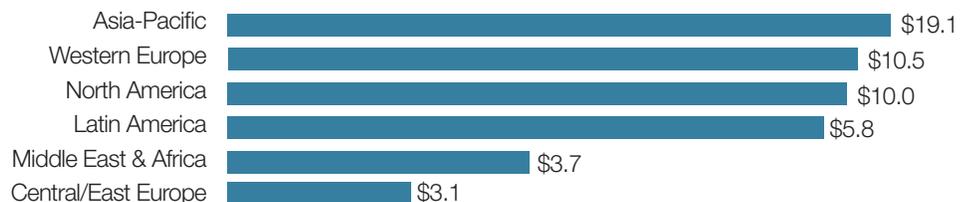
Cultural intelligence or cultural quotient (CQ) is the capability to relate and work effectively across cultures. The term is used in business, education, government, and academic research. Employers and organizations apply CQ as a way to foster tolerance and enhance cross-cultural interactions. CQ is something that can be both taught and learned. Just being exposed to travel and multi-cultural experiences does not necessarily lead to CQ.

The chart below shows the average rate of unlicensed software use by global region and the commercial value of that unlicensed use.

Average Rate of Unlicensed Software Use



Commercial Value of Unlicensed Software (in billions)



As you can see, many of the regions that scored the lowest in the Fons Trompenaars and Charles Hampden-Turner chart have the highest percentage of unlicensed software. Why is that? The following sections on cultural dimensions and global cultures will help in understanding why people in different countries have opposing attitudes.

Many of the regions that scored the lowest in the Fons Trompenaars and Charles Hampden-Turner chart have the highest percentage of unlicensed software.

Measuring CQ

Originally, the term cultural intelligence and the abbreviation “CQ” was developed by the research done by Soon Ang and Linn Van Dyne as a research-based way of measuring and predicting intercultural performance. There are several different ways to measure CQ. You can gain personal insight simply by thinking about your own CQ capabilities in each of the following areas:

- CQ Drive: the level of interest, drive, and motivation to adapt inter-culturally
- CQ Knowledge: the level of understanding about how cultures are similar and different
- CQ Strategy: the degree to which one is mindful, aware, and able to plan for multicultural interactions
- CQ Action: the degree to which one can appropriately change verbal and nonverbal actions by drawing upon a repertoire of behaviors and skills

Cultural dimensions

The Hofstede cultural dimensions theory, developed by Geert Hofstede, is a framework for cross-cultural communication that describes the effects a society's culture has on the values of its people and how these values drive behavior. The following major cultural dimensions have been identified in subsequent cross-cultural work.

Cultural Dimension #1: Who Am I? Individualist vs. Collectivist

The individualist defines “who am I?” by self, the collectivist defines “who am I?” by nation, family, and class. The individualist view of marriage is based on love and desire of the individual, while the collectivist view of marriage is based on family consensus. Laws/rules of the individuals are based on individual freedoms and value, while laws and rules of the collectivist are based on the good of society and the group. Examples of individualist countries are the U.S., the United Kingdom, and Germany. Examples of collectivist countries are China and Italy.

Cultural Dimension #2: Power Distance and Authority

Power distance describes how well less powerful members of organizations, families, or institutions accept and expect that power is distributed unequally. For example, in countries with a low power distance index, hierarchy can be very uncomfortable and even though there can be a huge income inequality, the culture is not as formal. Everyone is involved in decisions. In a high power distance culture, hierarchy is comfortable with formal hierarchy and roles. Children are more observant of parents and an authority figure makes the decisions. Example lower power distance countries are Sweden, Israel, and the U.S. Example high power distance countries are India, France, Saudi Arabia, and Japan.

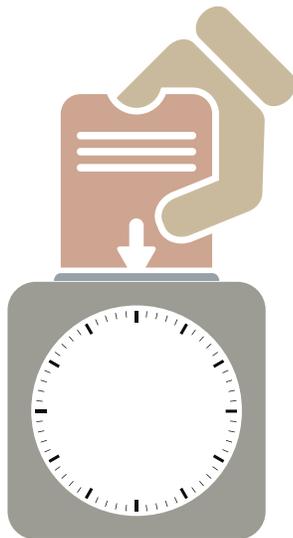


Cultural Dimension #3: Uncertainty Avoidance Index

High uncertainty avoidance cultures are threatened by ambiguity and hold values of punctuality and precision, predictable structure, and rigid and strict laws. Stress is released through drinking or driving. Low uncertainty avoidance cultures are accepting of differences, and are threatened by rules. These cultures value loose deadlines, unpredictability, and loose contracts. Low uncertainty avoidance has a higher heart disease rate. High uncertainty avoidance countries include Korea, Germany, Italy, Japan, and Singapore. Low uncertainty avoidance countries include the United Kingdom, Australia, Thailand, and China.

Cultural Dimension #4: Attitude Toward Achievement... Cooperative vs. Competitive

In cooperative achievement cultures, people are good partners with others and have a conciliatory approach. They believe teamwork is the best way to get things done and getting along with others is the goal. In competitive cultures, people want to be the best. They value strength, force, and might and they believe competition is the best way to get things done. Getting good grades is the primary goal in these cultures, for example. Example cooperative countries are Thailand, Sweden, and Denmark, while example competitive countries are Russia, Germany, and the U.S.



Cultural Dimension #5: Time...Punctuality vs. Relationships

Punctuality cultures value clock time and following the schedule. Respect is reflected in showing up on time and time management is monochronic, where time is viewed as linear or synchronous, and people do one thing at a time. Personal and business time is separated. On the other hand, relationship cultures value event time, as in the event begins when people arrive. Respect is reflected in showing up — presence trumps punctuality. People in relationship cultures are polychronic and do multiple things at the same time. They view time as asynchronous or cyclical and personal and business time can blend together. Countries that have a punctuality culture include Japan, northern Europe, and the U.S. Countries that have a relationship culture include Brazil, Africa, southern Europe, the Middle East, and parts of Asia.

Cultural Dimension #6: Communication...Direct vs. Indirect

Direct, low context communication is very explicit and direct — what you say is what you mean in these cultures. Verbal communication, or what is being said, is valued and environment is not all that important. If communication fails, it is the speaker's fault. This is contrasted with indirect, high context communication cultures that include many unwritten rules designed to maintain social harmony. Non-verbal communication, or what is not being said is valued, and environment matters a great deal, including status, arrangements, and formalities. The listener is expected to read between the lines. Examples of countries that have direct, low-context communication are the Netherlands and the U.S. Examples of countries that have indirect, high-context communication are the Middle East, Asia, and Africa.

In particularism cultures, it is believed that you can't possibly treat every person the same. The commitment is to the relationship, not the law.

Cultural Dimension #7: Laws/Rules...Universalism vs. Particularism

In universalism cultures, rules are for everyone and no one is above the law. There is a commitment to the law and universal standards apply such as prices should be the same for everyone. Trustworthiness is measured based on who obeys the rules. In particularism cultures, it is believed that you can't possibly treat every person the same. The commitment is to the relationship, not the law, and there are certain obligations to friends, family, and country. You should take care of your own. Rules are arbitrary, while loyalty is not. Prices depend on who's buying. Countries with a universalism culture include Switzerland and the U.S. Places with a particularism culture include Korea, Venezuela, Asia, Africa, and Russia.

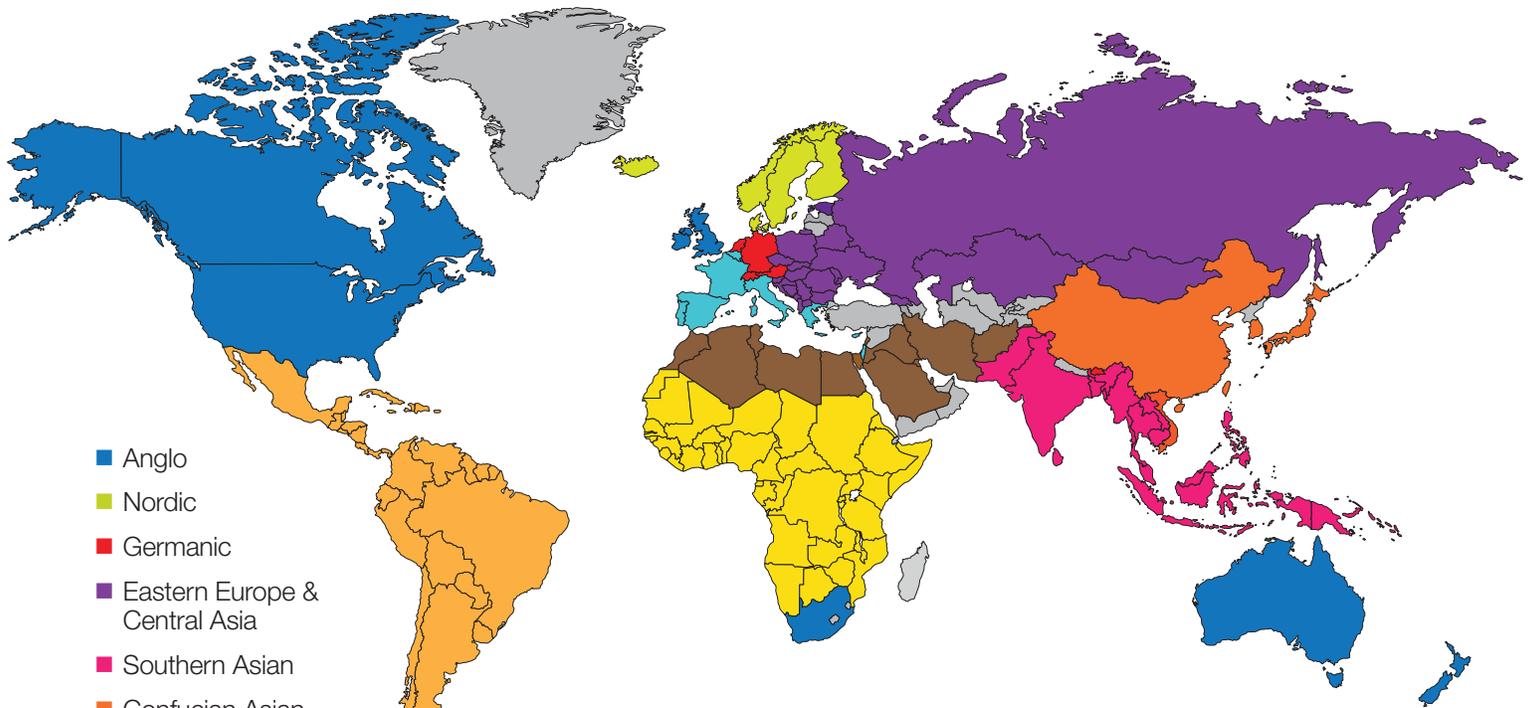
Cultural Dimension #8: Expressiveness...Neutral vs. Affected

Neutral cultures are subdued, detached, and dignified in the way they express emotion. Silence is welcome and respected and reason dominates feelings. Interruptions are considered rude and awkward. On the other hand, affected cultures welcome the show of emotions openly and passionately and there is much screaming and profanity. Non-expressive people in affected cultures are considered cold, and silence is awkward. Neutral cultures include Japan, the United Kingdom, Sweden, and Germany. Affected cultures include Italy, France, the U.S. Afro-American culture, Africa, Poland, and Brazil.

Cultural Dimension #9: Cultural Social Norms...Tight Society vs. Loose Society

The tight society believes there is a right and a wrong way to behave. There is little tolerance for deviations from the norm. Members of tight societies may be very religious, but not necessarily. The tight society is often isolated as is the case with Saudi Arabia and Japan. The loose society believes an individual decides how to behave and there is great tolerance for alternative life styles. There is an effort to eliminate rules that are not needed, and loose societies typically have more exposure to other people and cultures. Examples of loose societies are Finland, the Netherlands, and Thailand.





- Anglo
- Nordic
- Germanic
- Eastern Europe & Central Asia
- Southern Asian
- Confucian Asian
- Latin European
- Latin American
- Arab
- Sub-Saharan African

Global cultures

Culture #1: Anglo

The Anglo culture, which began in 410 AD when Rome removed its troops from Britain, includes the countries of Australia, Canada, Ireland, the U.S., the United Kingdom, South Africa, and New Zealand. English is the primary language and populations are mostly white, although racial diversity is growing. This culture is seven percent of the world's population, but 40 percent of the gross domestic product (GDP), or the monetary value of all the finished goods and services produced in the world in a year.

Characteristics The Anglo culture is focused on individualism and doing and is low on the Uncertainty Avoidance Index. It is universalist, highly competitive, and dominating, with a very short term time focus.

Culture #2: Nordic

The Nordic culture comprises Finland, Sweden, Norway, Denmark, and Iceland. It springs from the Viking tradition and Jante Law, which de-emphasizes individual effort and puts emphasis on the collective, while discouraging those who stand out as achievers. Nordic people are unpretentious and not impressed by bling; they are physically active and love sports and the outdoors. Everyone is considered equal, others should not be criticized, and wealth should not be flaunted.

Characteristics The Nordic culture has an egalitarian ethos, or belief in equality of all people, and believes in the cooperative. It is an individualistic and universalist culture with low power distance. There is a strong orientation to being versus doing. Nordics work to live, they do not live to work.

In Confucian Asian culture, a son who turns in his father for stealing sheep has violated the laws of society and caused disharmony . . . there are strings attached.

Culture #3: Germanic

The Germanic culture dates back to the Eighth Century and includes the countries of Germany, Austria, Switzerland, the Netherlands, and some places in the Nordic countries. It subscribes to the belief that “everyone must be quiet” and is resistant to change. This culture has a huge economic footprint for a small geographic zone.

Characteristics The Germanic culture embodies characteristics such as individualism and independence, universalist, highly competitive, and a high uncertainty avoidance cultural dimension.

Culture #4: Eastern Europe and Central Asian

This culture includes the countries of Albania, Hungary, Poland, Russia, Greece, Mongolia, and Kazakhstan. It is influenced by the Byzantine Empire and has a long history characterized by conflict and unrest. It has a matriarchal approach to family and a tough and nomadic tradition. Loyalty lies with the ethnic group and not the nation state.

Characteristics The Eastern Europe and Central Asian culture is collectivist and identifies with family. It has medium-high power distance, is highly competitive based on a tradition of survival, and believes in particularism and diverse rules.

Culture #5: Southern Asian

The Southern Asian culture includes the countries of India, Pakistan, Bangladesh, Malaysia, Thailand, Indonesia, and Iran. It is 46 percent Hindu, 35 percent Muslim, and seven percent Buddhist. While it has a huge population density — 25 percent of the world — it is only three percent of the GDP. This culture is very dependent on agriculture. It is characterized by long periods of peaceful coexistence, with some exceptions. Ethnic groups are assimilated and tolerance is high.

Characteristics The Southern Asian culture is high on the Individualism Index and doing and low on the Uncertainty Index. It is collectivist (family oriented), a “being” culture, and a loose society (except Pakistan and Iran). Saving face and showing respect is important.

Culture #6: Confucian Asian

The Confucian Asian culture comprises China, Japan, Korea, Taiwan, Singapore, and Vietnam. It is influenced by the teachings and philosophy of Confucius: Li is ritual in society, Yi is righteousness, and Ren is harmony that results from Li and Yi. There are five relationships: father, siblings, elders, wife, and state. A son who turns in his father for stealing sheep has violated the laws of society and caused disharmony. The sixth relationship is the customer/supplier — there are strings attached.

Characteristics The Confucian Asian culture is highly collectivist and China especially is particularist. China is more of a being culture, whereas Japan is more of a doing culture. Japan has tight and neutral expressions. Communication in the Confucian Asian culture is non-verbal and indirect.

The Arab culture is male dominant and patriarchal. It is a being culture and time is long term. Verbal contracts trump written agreements.

Culture #7: Latin European

The Latin European culture consists of Italy, France, Belgium, Spain, Portugal, and Israel. Vestiges of the Roman Empire remain (Athens, Rome, and Jerusalem). This culture is religious and respectful. It is more ritualistic, rule based, and regulated.

Characteristics The Latin European culture is collectivist and paternalistic, and has a long-term time focus. Its law cultural dimension leans more towards particularism and it is a being culture. Latin Europeans are very expressive and affected.

Culture #8: Latin American

The Latin American culture includes the countries of Mexico, Central America, Brazil, Venezuela, Argentina, and Bolivia. It is influenced by Spain and Portugal and by Roman Catholicism. It has strong family ties and fiesta traditions. This culture's motto is "for friends everything, for strangers nothing, for enemies the law."

Characteristics The Latin American Culture is high context and believes in direct communications. It has a particularism view of laws and has very expressive and affected communications. It is socially conservative and traditional, but optimistic. For this culture, time is not chronological and relationships are very important.

Culture #9: Arab

This culture includes Jordan, Saudi Arabia, Iraq, Egypt, Libya, Algeria, and Morocco. The language is Arabic and religion is Islam. Early nomadic tribes dominated the region and family is everything, even more than friendships. Clan and nationalism is much less important and absolute loyalty is demanded. The region is economically linked to oil, as it holds 63 percent of the world's oil reserves. There are many misperceptions in the West about the Arab culture.

Characteristics The Arab culture is male dominant and patriarchal. It is a being culture and time is long term. Verbal contracts trump written agreements. Honor and shame have huge meaning and age is honored.

Culture #10: Sub-Saharan African

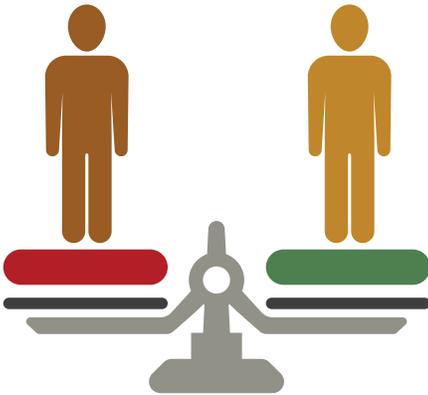
This culture includes Somalia, Ethiopia, Kenya, Tanzania, Nigeria, Namibia, and Sierra Leone. The human civilization began here, so it is the oldest cultural group. The family unit is the most important and marriages are huge affairs. This culture is full of contradictions and disease and poverty is prevalent. It is scarred by colonization and enslavement. Religion is a combination of tribal, Christian, and Muslim traditions.

Characteristics The Sub-Saharan African culture is collectivist and cooperative. It believes in Ubuntu, or the idea of human kindness and is highly superstitious and not trusting of outsiders. It is very expressive, with a strong religious and spiritual sense.

Summary

Clearly there are many different cultures and cultural dimensions. Having a thorough understanding of the nuances of different cultures will raise cultural intelligence, enabling a greater ability to relate and work more effectively across cultures.

Why is this important in the world of software piracy? If a company wants to get the most out of its attempts to recover revenue from noncompliance and stop piracy, it needs to be able to communicate effectively with cultures that are completely different from its own. Harking back to the example at the beginning of this white paper, a Chinese company pirating software does not have the same belief system about right and wrong as an American software company demanding to be paid for pirated software.



Here are some things to consider when embarking on a piracy prosecution. Do you write the initial demand letter in the local language or in English? Should the tone be constructive and differential or dominant and threatening? Should the information content be factually specific or vague, factually complete or incomplete? Should a proposed settlement figure be included in the letter or should there be a request to investigate first and then come back with information or a proposal? What other factors can influence the negotiation — shame, cooperation, partnership? Are there local associations, contacts, or existing relationships that can influence the settlement discussions?

Need help?

Navigating the complexities of cultural differences can be overwhelming and coming to a mutually productive solution tricky. You are a software developer, not a sociologist. Why not let the experts help you?

SmartFlow Compliance Solutions was created to help software vendors combat piracy, copyright infringement, and under-compliance with automated tools that minimize the resources needed to identify software abuse and tackle revenue recovery. With over a decade in development, SmartFlow identification and analysis software represents the best practices of license compliance programs within the world's leading companies, providing customers with insight on how infringement affects their business, customers, and profits. SmartFlow has developed SmartFlowCQ, a library of templates and letters that incorporate cultural intelligence expertise in global and regional intellectual property and compliance laws so that you can maximize your impact when negotiating with a foreign culture.

Learn more at www.smartflowcompliance.com.

Background information for this white paper was sourced from "Customs of the World: Using Cultural Intelligence to Adapt, Wherever You Are" by Professor David Livermore, Ph.D., Cultural Intelligence Center.