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# Review of a Master's Thesis Section: Culture and Economic Behavior – A Historical and Modern Perspective

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Review

# Review of a Master's Thesis Section: Culture and Economic Behavior – A Historical and Modern Perspective

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**Abstract:** Culture has a significant impact on how people and corporations act in the modern global economy. Success for businesses that operate internationally depends on their ability to comprehend cultural differences. Multinational corporations (MNCs) frequently find it difficult to adjust to the varied values and norms that affect how business is conducted around the globe. Power Distance, Masculinity vs. Femininity, Individualism vs. Collectivism, Uncertainty Avoidance, Long-Term vs. Short-Term Orientation, and Indulgence vs. Restraint are the six dimensions of culture that Geert Hofstede's 6D model divides into to further explain these disparities. These dimensions affect everything from decision-making to management styles and business strategies. This chapter compares two major regions; Europe and MENWA (Middle East, Northwest Africa) and explores how cultural differences impact multinational companies operating in both areas. Businesses can enhance their strategies, establish deeper connections with stakeholders, and perform better in the global market by understanding these cultural nuances.

**Keywords:** culture; Hofstede's 6D model; Multinational Corporations (MNCs); organizational behavior; cross-cultural management

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## Hofstede's 6D Model: Understanding Cultural Differences:

### 1. Power Distance

Power Distance reflects how a society handles inequalities in power distribution. In societies with a high level of Power Distance, hierarchical structures are prevalent, and authority is generally accepted without question. Conversely, cultures with low Power Distance emphasize equality and encourage shared decision-making.

Saudi Arabia and Egypt are two MENWA nations that frequently display high Power Distance. Employees are expected to follow instructions rather than offer suggestions, and leadership choices are frequently made centrally. Although this structure keeps things in order, it could limit creativity by discouraging lower-level employees from contributing.

On the other hand, European countries such as Sweden and Denmark show low power distance. Companies in these nations encourage open communication and staff involvement in decision-making, which promotes a creative and cooperative workplace.

### 2. Masculinity vs. Femininity

This dimension examines whether a society leans toward traditionally masculine traits like competition and achievement or feminine traits such as cooperation and care.

Germany, for instance, is considered a masculine culture, where competition, success, and performance take center stage. Companies operating in such environments often prioritize efficiency and measurable outcomes. In contrast, Sweden embodies a more feminine culture, placing importance on quality of life, gender equality, and teamwork. As a result, management approaches vary, with masculine cultures focusing on performance metrics, while feminine cultures emphasize employee well-being.

In the MENWA region, assertiveness and achievement are common masculine traits, though Islamic values promoting fairness and justice also shape workplace dynamics. Gender roles tend to be more defined, with women encountering greater barriers in conservative societies.

### 3. Individualism vs. Collectivism

This dimension explores whether people prioritize their individual goals over the goals of the group. Individualistic cultures value independence and personal achievement, whereas collectivist cultures emphasize group harmony and social ties.

In Europe, countries such as the Netherlands and the UK are highly individualistic. These cultures value personal freedom, autonomy, and entrepreneurship. Companies in these regions often promote individual initiative and accountability, encouraging a competitive yet innovative business atmosphere.

By contrast, the MENWA region leans more toward collectivism, with a strong emphasis on family, community, and social networks. In countries like Saudi Arabia and Egypt, business decisions often hinge on group consensus and long-standing relationships. While this approach fosters trust and loyalty, it may sometimes limit individual creativity and slow the pace of innovation.

### 4. Uncertainty Avoidance:

Uncertainty Avoidance reflects how comfortable a society is with ambiguity and risk. Societies with high Uncertainty Avoidance prefer clear rules and structured environments, whereas those with low Uncertainty Avoidance are more adaptable and open to change.

### 5. Indulgence vs. Restraint:

### 6. Long-Term vs. Short-Term Orientation:

Indulgence vs. Restraint assesses whether a culture encourages enjoyment and the pursuit of happiness or emphasizes self-control and discipline. Long-Term vs. Short-Term Orientation considers whether a society values future planning or immediate results.

For example, the Netherlands is an indulgent culture where people prioritize personal satisfaction and life's pleasures.

In contrast, countries in the MENWA region, such as Morocco and Turkey, tend to be more restrained, focusing on tradition and self-discipline. These cultural differences shape economic behavior, with indulgent societies favoring consumer-driven markets, while restrained cultures emphasize savings and long-term planning.

Germany and Sweden represent long-term oriented cultures, where businesses focus on sustainability and future growth. Meanwhile, countries like Egypt often prioritize short-term goals, influenced by economic and political challenges.

By understanding these cultural dimensions, multinational corporations can better adapt their management strategies, fostering stronger relationships and more effective operations across diverse regions.

## Regional Case Studies:

To better understand these cultural dimensions, let's look at a couple of examples:

- **IKEA (Sweden):** Operating in a low Power Distance and individualistic culture, IKEA encourages employee involvement and adapts its strategies to fit different markets. This approach has helped the company succeed globally.
- **Saudi Aramco (Saudi Arabia):** As a state-owned company in a high-Power Distance culture, Saudi Aramco relies on centralized decision-making and traditional authority structures. While this ensures stability, it can make innovation and diversification more challenging.

The MENWA region has a rich history as a global trade hub, connecting Europe, Asia, and Africa. While the region is making progress in modernizing industries like technology and finance, traditional values, family ties, and religious principles still shape business practices. These factors create strong community bonds but can sometimes slow down innovation.

The region's future economic growth will depend on balancing tradition with the demands of global markets. Multinational companies operating in the region must respect these cultural dynamics while encouraging modernization and innovation.

## Conclusion:

In a globalized world, understanding cultural differences is essential for business success. Hofstede's 6D model provides a useful framework for navigating these differences and adapting strategies to fit cultural contexts. Whether in Europe or the MENWA region, businesses that recognize and respect cultural values can improve performance, build stronger relationships, and achieve long-term success.

### *Questions for Further Research:*

While this chapter highlights key cultural dimensions, there's still much to explore. How are digital transformation and globalization reshaping cultural norms? Can technology help bridge cultural gaps and improve collaboration across borders? These questions are worth investigating to help businesses better navigate the complexities of a globalized world.

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