# CULTURAL ADAPTATION IN CROSS BORDER E-COMMERCE:
# A STUDY OF GERMAN COMPANIES

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**ABSTRACT**

The standardization vs. adaptation debate in international marketing is still ongoing, yet, in the online realm the discussion is only just emerging. While practitioners are excited to jump on the online communication and commerce bandwagon, empirical research on the issue of online standardization vs. adaptation is still relatively limited and mostly concerns US firms. This paper explores 100 German companies' domestic, U.S., U.K. and Latin American websites and employs a cultural value analysis. We build on Hofstede's and Hall's cultural framework. Findings suggest that cultural value depiction is not very strong in the relevant markets, thus a certain degree of 'cultural alienation' takes place. It is suggested that to engage better with their customer and reach better cultural congruency companies need to work harder on developing culturally adapted websites.

Keywords: online standardization, adaptation, cultural analysis

## 1. Introduction

Nearly a billion people are already connected to the Internet [Okazaki 2004]. Between 2000 and 2005 the Internet experienced a growth of 160% [Internet World Stats 2005], making it a source of about US-$3.2 trillion in revenues for businesses and their e-commerce activities [Singh, Zhao, and Hu 2003]. Hence, web-presence is arguably crucial in terms of improving international marketing efforts [Vivekanandan and Rajendran 2006], and overall business-success [Alvarez, Kasday, and Todd 1998]. However, although websites are virtually accessible to anybody from anywhere, truly tapping into online customers involves more than simply putting up a website. Yamin and Sinkovics [Yamin and Sinkovics 2006] point to the particular dangers connected with over-reliance on digital media. They argue that by being close to customers but distant from markets, companies may become susceptible to falling into a 'virtuality trap'. Appropriate relational governance mechanisms [see e.g. Wu et al. 2007] are considered necessary to reduce the possibility of this virtuality trap. Boshoff [2007] suggests that with the Internet as a retailing channel, distinctive service delivery and service quality criteria need to be developed. The study by Lynch and Beck [2001] is particularly relevant in this respect. They point out that the rapid growth of the internet created an exaggerated expectation that it would enable companies to create a new, standardized mode of communication, one where 'buyers would speak and be comfortable with the same "electronic language", regardless of region, culture or class' [Lynch and Beck 2001]. However their empirical finding indicated that 'even with increased electronic interaction 'people still need to feel culturally and contextually engaged with vendors, even online' [Lynch and Beck 2001]. Later studies have confirmed these findings. Lim et al. [2004] have observed, that the virtual space on the Internet is not boundary-less or culture-free. Similar observations have been made by e.g. Singh

and Baack [2004] and Singh, Furrer, and Ostinelli [2004]. Whilst these studies focus on cultural characteristics of buyers or consumers from different countries and regions, other studies have focused on firm strategies in terms of the degree of standardization and/or adaptation they incorporate in the content and design of their country or region specific websites [Okazaki 2004].

Thus, paralleling the long-standing debate on standardization vs. adaptation in international marketing [e.g. Agrawal 1995; Theodosiou and Leonidou 2003], there is discussion on whether, in the online domain, adaptation of website content and design to local cultural manifestations or their standardization to effectively transmit online content is the more appropriate strategy. There is also a lack of empirical evidence in the fields of "applied culture" on the Internet; hence, evidence as to whether a 'contingency perspective' [Agrawal 1995; Katsikeas, Samiee, and Theodosiou 2006] is appropriate and in which context are limited. A further limitation is that extant literature focuses heavily on U.S. culture and companies [Okazaki 2004; Singh, Zhao, and Hu 2003]. Moreover, we witness methodological weaknesses such as relatively small sample sizes [Fink and Laupase 2000; Singh and Baack 2004; Singh, Furrer, and Ostinelli 2004; Singh, Zhao, and Hu 2003] and a somewhat limited depth of cultural analysis [Okazaki and Rivas 2002].

Following a review of the literature, this paper replicates and extends the methodological approach suggested by Singh et al. [2005], in the context of German MNCs. We consider such a replication to be valuable to understand whether findings can be generalized to different populations [Hubbard and Armstrong 1994], and to establish support beyond one-shot studies [Evanschitzky et al. 2007], particularly given the narrow focus of prior research on only few countries. We explore whether German MNCs employed culturally adapted online communication strategies in their own domestic habitat and country-specific websites in the U.S., U.K. and in Latin America. Cultural values are measured using Hofstede's [1991] and Hall's [1976] dimensional approach.

## 2. Conceptual background

### 2.1. The standardization vs. adaptation debate

The standardization/adaptation debate in international marketing has inspired academics and practitioners for more than three decades. Arguments of cost reduction, scale- and scope-effects, brand building as well as meeting customer demands, culture-bound preferences and expectations have resulted in contributions on either the standardization or adaptation side of the continuum [Alashban et al. 2002; Buzzell 1968; Fatt 1967; Levitt 1983; Mueller 1992; Papavassiliou and Stathakopoulos 1997; Rutigliano 1986; Walters 1986; Yip 1989].

The standardization approach has been criticized by many practitioners and marketing professionals as overly product oriented. As Douglas and Wind [1987] point out, standardization per se "…implies a product orientation, and a product driven strategy, rather than a strategy grounded in the systematic analysis of customer behavior and response patterns and market characteristics.". Negative implications of pure product oriented strategies have also been outlined by Levitt [1960] and Laughlin et al. [1994]. Cavusgil and Zou [1994] also point to disadvantages in terms of vulnerability to competitive attacks [see also Ricks 1999; Zou, Andrus, and Norvell 1997] and others point to the lack of responsiveness to diverse governmental, economical/ecological and socio-cultural settings [Doz and Prahalad 1980; Zou and Cavusgil 1996].

The contingency-perspective [see e.g. Agrawal 1995; Cavusgil, Zou, and Naidu 1993] has removed the binary-choice element from the discussion, suggesting that the decision will depend on issues such as product category, industry, competition etc. [e.g. Jain 1989; Kustin 2004; Quelch and Hoff 1986; Subramaniam and Hewett 2004; Theodosiou and Leonidou 2003; Walters and Toyne 1989]. This adaptive strategy has been empirically examined by numerous authors in various degrees of empirical sophistication [see e.g. Agrawal 1995; Green, Cunningham, and Cunningham 1975; Johansson 1994; Mueller 1992; Onkvisit and Shaw 1987]. Katsikeas, Samiee and Theodosiou [2006] provide what in our view is the most rigorous empirical examination of this perspective.

### 2.2. Standardization on the internet

Given the very large and rapidly growing number of Internet users in many countries there is an enormous growth potential for online commerce in both the B2B and B2C markets. Attractions exist for managers in terms of cost savings in the online domain [Quelch and Klein 1996] and efficiency effects of market transactions [Petersen, Welch, and Liesch 2002; Jean 2007].

For Singh and Boughton [2002] a standardized web site entails "the same web content, in the same language, for both domestic and international users. Standardized websites do not prominently display any information about their international operations." [Singh & Boughton 2002]. It is suggested that online standardization leads to cost savings [see e.g. Kambil 1995; Sinkovics and Penz 2005]. Website adaptation is potentially a costly undertaking. Incorporating culturally responsive features in a website necessitates the employment of culturally experienced staff and expert linguists not only to undertake the initial design and launch of country specific websites but also to provide continuous analysis and interpretation of cues and generate insights from online dialogue and interaction

with customers residing in culturally diverse environments. If, as Tsikriktsis [2002] concludes, culture plays a "…significantly less important role in Web site quality expectations compared with traditional service quality expectations…" [see Tsikriktsis 2002], then the payoff to cultural adaptation in web design and operation may not be that large. Forrester Research [2001] reinforce this view by observing that repeat visitation of websites is predominantly determined by interactivity, trust, the right composition of quality content, ease of use, speed and frequency of updating, while cultural dimensions and appeals are of negligible importance. An additional argument for website standardization can be provided in terms of developing scale and scope economies by pursuing global product and branding strategies. Yip and Dempster [2005] point out that higher levels of Internet-use is related to higher levels of firm performance, thus supporting scale- and scope efficiencies.

The proponents of online standardization also claim that it will strengthen the brand image of the company amongst its potential online customers. Furthermore it is the preferred strategy to 'push' visitors through the conversion process from 'surfers' to 'purchasers' [Berthon, Pitt, and Watson 1996]. This is essentially due to cost consideration as cultural online adaptation is relatively costly [Dewan, Freimer, and Seidmann 1998] and as long as the target conversion rate is not very high it can be achieved by transmitting a standardized online presence.

On the other hand, proponents of the adaptation strategy contend that standardization does not generate distinctiveness in web-communication, and hence cannot maximize market potentials in respective markets and thus risks losing competitive advantage.

2.3. Adaptation on the internet

Adapted websites exhibit specific time, date, zip code and number formats. These sites have country specific templates reflected in the country-specific unique resource locators (URL's) such as, .de (Germany), .com (U.S), and .co.uk (United Kingdom). Furthermore, these country-specific sites feature visibly on the level of the parent company websites and pay detail attention to culture specificities, most notably language issues.

Proponents of website adaptation believe that information technology competences and capabilities of companies such as operating websites or conducting business online can easily be replicated by competitors [Evans and Wurster 1997; Yamin and Sinkovics 2006]. Competitive advantages on the Internet are therefore not likely to remain sustainable [e.g. Carr 2003; Riquelme 2002] and companies must seek differentiation advantages. Kotha [1998] suggests that uniform communication patterns may not be sufficient to maintain healthy profit margins and competitive advantage. Yip and Dempster [2005] concur with Porter and suggest the establishment of a 'unique set of activities'; they claim that companies in global industries must "…carefully monitor how rivals are making use of the Internet, and lead or match rivals' activities." [Yip and Dempster 2005].

As Kotha et al. [2004] show, buyer's online experience is critical to website competitiveness. This induces the firm to create various 'relationship services'. As conceived by Kotha et al. [2004] relationship services are a mechanism to create a bond with online customers and engender buyer trust [Kotha, Rajgopal, and Venkatachalam 2004]. Other authors have similarly maintained that buyer trust is a critical underpinning of a positive online experience [see e.g. Jarvenpaa, Tractinsky, and Vitale 2000]. Although previous studies are mostly concerned with trust in an e-commerce context, without necessarily focusing on cross-border transactions, it is reasonable to assume that trust is at least as crucial in this context as it is in domestic e-commerce [Oxley and Yeung 2001].

In the cross-border context, the creation of relationship service implies adaptation or differentiation. Relationship services are provided as a part of making the website more culturally sensitive and specific to the target market [Lim et al. 2004; Lynch and Beck 2001; Singh, Zhao, and Hu 2003]. Cultural adaptation does have the potential to improve the effectiveness of websites. Yamin and Sinkovics [2006] reason that website interactivity entails a degree of cultural adaptation and that such cultural adaptation is beneficial in terms of sustaining the buyer/seller 'dialogue'. Others have suggested that whilst ICT-enabled standardization may improve coordination and control for MNEs [Yamin and Forsgren 2006], a level of subsidiary autonomy and initiative taking is still beneficial for MNEs [Yamin and Sinkovics 2007], as might be induced by adaptation of local websites. Looking at the profiles of Internet buyers in 20 countries, it has been suggested that "…even with increased electronic interactions, people still need to feel engaged (culturally or contextually) with vendors, even online. Consequently, companies that have an understanding of and an ability to 'mirror' the culture of their target country will have a competitive global advantage." [Lynch and Beck 2001]. Samiee's [1998] suggestion that culture can have a main impact on the success of e-marketing efforts appears to be valid in the online contexts, too.

In a more empirical vein, a number of studies show that culture does influence the design of websites [Cyr and Trevor-Smith 2004; Fink and Laupase 2000; Lynch, Kent, and Srinivasan 2001; Marcus and Gould 2000; Yip 2000; Zahir, Dobing, and Hunter 2002]. Empirical evidence is further provided by Luna et al. [2002], who show that exposure to culturally appropriate websites, reduces the cognitive efforts required from the customer. The enhanced quality and frequency of online contact is likely to result in conversion efficiency. Chakraborty et al. [2005] provide

empirical evidence from a B2B context, which suggests that "one shoe fits all" approaches in website design should be avoided and websites should be custom-built to geographical regions.

In all, the debate over online adaptation or standardization has not yet provided a consolidated view on the issue, which suggests there is scope for fruitful empirical examination of online adaptation or standardization following a cultural perspective.

2.4. Cultural analysis on the web

Singh [2002] suggests that Hofstede's [1984; 1991] cultural dimensions represent a valuable framework for research on web analysis, advertising and web content development. Using Hofstede's [1984] four cultural dimensions and Hall's [1976] context dimensions, Singh et al. [2003] evaluate the level of cultural adaptation of American companies' domestic and Chinese websites. They state, "…the web is not a culturally neutral medium, but it is full of cultural markers that give country-specific websites a look and feel unique to the local culture." [Singh, Zhao, and Hu 2003].

Building on the same cultural framework, Singh and Baack [2004] compared U.S. and Mexican websites for differences in the depiction of local cultural values online. Mexican websites demonstrated higher scores in collectivism and power distance as well as slightly higher ones on masculinity. Interestingly, uncertainty avoidance was not in line with Hofstede's results. Further studies illustrated that the content of U.S. and Japanese websites reflected national cultural values [Singh and Baack 2004] and similar results were encountered in investigations of Chinese, Indian, Japenese and U.S. websites [Singh, Zhao, and Hu 2005]. "The results indicate that local websites in India, China, Japan and U.S. not only reflect cultural values of the country of their origin, but also seem to differ significantly from each other on cultural dimensions." [Singh, Zhao, and Hu 2005]. Similar work, comparing B2C e-commerce firms in the U.S., France and Germany "…show[s] that the cultural values presented in the local websites of the three countries are linked to theoretical work regarding the cultural differences between the countries." [Singh, Kumar, and Baack 2005]. To this end, we would expect to see a strong correspondence between cultural dimensions developed by Hofstede [1984] and Hall [1976] and their online representation/depiction on firm websites. This study is particularly interesting as it included a comparison between HQ websites with subsidiary websites for French and German country markets. Overall, these finding strengthen the robustness of Hofstede's work over time and the validity of the content analysis framework employed.

2.5. Hypotheses development

The six cultural dimensions used in this study were first operationalised by Singh et al. [2003] and later revised and updated [Singh, Zhao, and Hu 2005] to comprise six dimensions and 23 cultural categories (see Table1 below).

Following the literature review above, we suggest that adapted websites will depict online cultural values, which are representative of respective country values (as provided by Hofstede and Hall). Detail hypotheses will be provided below, the overall hypotheses is that:

> H1　　*Cultural value depiction will differ between German domestic websites and their foreign subsidiary websites. Cultural values depicted online will correspond to the respective target market cultural values (i.e. U.S., U.K. and Latin cultural values).*

Individualism-collectivism

Individualistic societies are more "I-conscious", reflecting traits such as self-reliance, independence, achievement and freedom [Gudykunst 1998; Hofstede 1984]. The reverse is true for collectivist societies. Taking into consideration all the nations analyzed for this paper, the U.S. scores highest on individualism with 91 points out of a hundred, followed by the U.K. (89) and Germany (67) [Hofstede 1991]. Latin American countries score lower on individualism, i.e. higher on collectivism. We therefore conclude:

> H2a　　*German companies' home country websites will depict lower levels of individualistic elements than their US websites.*
>
> H2b　　*German companies' home country websites will depict lower levels of individualistic elements than their UK websites.*
>
> H2c　　*German companies' home country websites will depict higher levels of individualistic elements than their Latin American websites.*

While in Hofstede's work, individualism and collectivism form a bipolar axis, Singh et al. [2005] use these as independent measures. The argument is that "…individual and collectivist tendencies can co-exist in societies, and that it is more appropriate to treat them as separate dimensions…" as the work of Triandis [1994], Han & Shavitt [1994] and Cho et al. [1999] implies. Since Latin America - on average - depicts the highest level of collectivism, the following hypotheses can be derived:

> H3a　　*German companies' Latin American websites will depict higher levels of collectivistic elements than their US websites.*

Table 1: Cultural value framework [Singh, Zhao, and Hu 2005, p.77, 79-80]

| | |
|---|---|
| | *a – Collectivism (Coll)* |
| $a_1$ | **Community Relations** – presence or absence of community policy[1], giving back to community[2], social responsibility policy[3] |
| $a_2$ | **Clubs or Chat Rooms** – presence or absence of members' club[1], product-based clubs[2], chats with company employees[3], chat with interest groups[4], message boards[5], discussion groups[6], and live talks[7] |
| $a_3$ | **Family Theme** – pictures of family[1], pictures of teams of employees[2], mention of employee teams[3], emphasis on team and collective work responsibility in vision statement or elsewhere on the web site[4], emphasis on customers as a family[5] |
| $a_4$ | **Loyalty Programs** – frequent miles programs[1], customer loyalty programs[2], and company credit cards for local country[3], special membership programs[4] |
| $a_5$ | **Newsletter** – online subscriptions[1], magazines[2], and newsletters[3] |
| | *b - Uncertainty Avoidance (UA)* |
| $b_1$ | **Customer Service** – FAQs[1], customer service option[2], customer help[3], or customer service e-mails[4] |
| $b_2$ | **Guided Navigation** – site maps[1], well-displayed links[2], links in the form of pictures or buttons[3], forward, backward, up and down navigation buttons[4] |
| $b_3$ | **Local Stores** – mention of contact information for local offices, dealers, and shops[1] |
| $b_4$ | **Local Terminology** – use of country specific metaphors, names of festivals, puns[1], a general local touch in the vocabulary of the web page[2] |
| $b_5$ | **Tradition Theme** – emphasis on history and the ties of a particular company with a nation[1], emphasis on respect[2], veneration of elderly[3], phrases like "most respected company", "keeping the tradition alive", "for generations", "company legacy", etc.[4] |
| | *c - Power Distance (PD)* |
| $c_1$ | **Company Hierarchy Information** – information about the ranks of company personnel[1], information about organizational charts[2], information about country managers[3] |
| $c_2$ | **Pictures of CEO's** – pictures of executives[1], important people in the industry or celebrities[2] |
| $c_3$ | **Proper Titles** – titles of the important people in the company[1], titles of the people in the contact information[2], and titles of people on the organizational charts[3] |
| $c_4$ | **Vision Statement** – statement by the CEO or company head about the vision of the company[1] |
| | *d – Individualism (I)* |
| $d_1$ | **Independence theme** – images and themes depicting self-reliance, self-recognition, achievement[1] |
| $d_2$ | **Product Uniqueness** – unique selling points of the product, product differentiation features[1] |
| $d_3$ | **Personalization**– features such as gift recommendations, individual acknowledgements or greetings, web page personalisation[1] |
| | *e - High Context* |
| $e_1$ | **Aesthetics** – attention to aesthetic details[1], liberal use of colors, bold colors[2], emphasis on images and context[3], use of love and harmony appeal[4] |
| $e_2$ | **Politeness and Indirectness** – greetings from the company[1], images and pictures reflecting politeness, flowery language, use of indirect expressions like "perhaps", "probably" and "somewhat"[2], overall humbleness in company philosophy and corporate information[3] |
| $e_3$ | **Soft sell approach**– use of affective and subjective impressions of intangible aspects of a product or service[1], high usage of entertainment themes to promote the product[2] |
| | *f - Low Context* |
| $F_1$ | **Hard Sell Approach** – discounts[1], promotions[2], emphasis on product advantages using explicit comparison[3] |
| $F_2$ | **Rank or prestige of the company** – features such as company rank in the industry[1], listing in Forbes or Fortune[2], numbers showing the growth and importance of the company[3] |
| $F_3$ | **Use of superlatives**– use of superlative words and sentences such as "the number one…", "the top company", "the leader", "world's largest", etc.[1] |

Note:   Each cultural dimension is depicted (i.e. represented graphically or textually on the website) by a number of categories. For collectivism this is a1) community relations, a2) clubs and chat rooms, a3) family theme, a4) loyalty programs and a5) Newsletters. Community relations in turn are represented by presence or absence of community policy (coded as cc1), giving back to community signals (cc2), and visual or textual cues regarding social responsibility policy (cc3). Coders rated these characteristics on a five-point-scale where 1 = not depicted on the website to 5 = strongly depicted. Table 2 exemplifies this procedure.

> H3b    German companies' Latin American websites will depict higher levels of collectivistic elements than their UK websites.
>
> H3c    German companies' Latin American websites will depict higher levels of collectivistic elements than their German websites.

Uncertainty avoidance

The internet, as a new medium, brings about a certain degree of uncertainty, hence "people from high uncertainty avoidance (UA) cultures need more reassurance and uncertainty reduction features to facilitate their online purchases" [Singh, Zhao, and Hu 2005, p.134]. It is therefore suggested that users from countries with high UA scores, such as Germany (65) and Latin America (86), will prefer sites with "simple, and redundant navigational devices…". Users from the U.S. (46) and U.K. (35) on the other hand "would tend to prefer greater complexity and less control over navigation" as "low UA cultures tend to desire more informal business arrangements and are more relaxed" [Bernard 2003]. This leads to the fourth set of hypotheses:

> H4a    German companies' home country websites will depict higher levels of uncertainty avoidance elements than their US websites.
>
> H4b    German companies' home country websites will depict higher levels of uncertainty avoidance elements than their UK websites.
>
> H4c    German companies' home country websites will depict lower levels of uncertainty avoidance elements than their Latin websites.

Power distance

Latin American countries score very high on power distance (PD), with an average score of 70. There is appreciation for social status, referent power, authority and legitimacy [Singh, Zhao, and Hu 2005]. The U.S. (40) scores low on PD, with Germany and the U.K. scoring even lower at 35. Hence, gender-neutral websites which de-emphasize hierarchical differences between individuals are encouraged [Bernard 2003]. Building on work which relates high PD appeals to high power distance societies [Zandpour et al. 1994], the subsequent list of hypotheses is brought forward:

> H5a    German companies' home country websites will depict lower levels of power distance elements than their US websites.
>
> H5b    German companies' home country websites will depict the same levels of power distance elements as their UK websites.
>
> H5c    German companies' home country websites will depict lower levels of power distance elements than their Latin websites.

High- and low-context cultures

Communication in high-context cultures is implicit, indirect and deeply embedded in the context, while in low-context cultures it is more direct, less implicit and more informative [Singh, Zhao, and Hu 2005]. According to Hall [1976], Germany, the U.S. and the U.K. are low-context cultures whereas Latin America is more oriented on highly contextualized signals. Therefore it can be suggested that in terms of aesthetics, issues of politeness and indirectness Latin American websites will demonstrate significant differences from German, U.S. and U.K. websites. We thus put forward the following hypotheses:

> H6a    German companies' home country websites, their U.S. and U.K. websites will depict higher levels of low-context elements than their country specific Latin websites.
>
> H6b    Country specific Latin American websites of German companies will depict the highest level of high-context elements compared to their home country websites, country specific U.K. and U.S. websites.

## 3.   Empirical study

3.1. Research context

From the outset, we decided to involve a German, English or Spanish-speaking selection of countries in the study. This was a function of cultural diversity as well as a pragmatic choice, given language capabilities of the research team. Furthermore, we used the World Economic Forum's Network Readiness Index (NRI), to support our choice of countries. The NRI measures the propensity for countries to exploit the opportunities offered by information and communications technology and is published annually [World Economic Forum 2005]. We chose German companies as the unit of analysis, with export destinations of U.S., U.K. and the Latin American markets. We merged Latin American countries into one group because while German companies are present in many of the Latin American markets, only a fraction of the companies has establishments in more than one Latin American market (see Table 5).

3.2. Research design

We identified companies from a list of German MNCs with export operations to the U.K., the U.S. and Latin America generated out of the AMADEUS database. AMADEUS is a pan-European database providing information on seven million publicly and privately listed companies within 38 countries. From those German MNCs which had operations in all the three target markets/regions, a total of 100 German MNCs was randomly chosen for inclusion in the website analysis. For the purposes of this study, Latin America was treated as one market; hence, presence in only one country was enough to warrant inclusion in the study. The rationale was that only few big companies had operations in all the major Latin American markets. While in prior studies country comparisons were undertaken without a view on particular companies, this study aimed to add to the understanding of cultural value depiction by explicitly examining individual company activities in international markets. Hence, it was decided to include German MNCs in our analysis sample only, if foreign company or institutional investor holdings were below 49 percent. This measure was deemed suitable to avoid cultural bias in terms of decision making on matters of information technology, assuming that for German MNCs with high stakes in their foreign operations, information technology and thus website design issues would be influenced, if not decided in their home country offices. In all, 300 websites were content-analyzed with the research instrument. Two raters were involved in the assessment and approximately 20 minutes were spent per website to complete the assessment.

3.3. Research instrument

The research instrument for the evaluation of the websites comprised of an assessment-sheet which was used by two independent researchers to rate the cultural value depiction of each website involved. The six cultural dimensions and their respective items (see Table 1 above) have been used and refined in past research [Singh, Kumar, and Baack 2005; Singh, Zhao, and Hu 2003] and are based on widely recognized theoretical frameworks, thus supporting their validity [Coviello et al. 2002]. Measures for the six cultural dimensions, collectivism, uncertainty avoidance, power distance, individualism, high context and low context, were operationalized on a five-point scale. The scale ranged from 1 = not depicted on the website to 5 = strongly depicted on the website. The rationale of using a five-point scale is that since most of the features listed in the coding scheme are normally identifiable on the websites, it is not effective to count only the occurrence or non-occurrence of certain features. Instead, the degree to which a certain feature is highlighted on a particular website, gives a much better picture about the cultural value depiction. Table 2 below illustrates the coding procedure drawing on the collectivism dimension with cultural characteristics such as community relations which are e.g. depicted when certain websites highlight a company's community policy or social responsibility. Mean scores for each of the characteristics were used for further analyses.

Table 2: Cultural dimensions and coding procedure for characteristics identified

|      | cc1 | cc2 | cc3 | cc4 | cc5 | cc6 | cc7 | Mean |
|------|-----|-----|-----|-----|-----|-----|-----|------|
| a1   | 5   | 4   | 4   | n.a. | n.a. | n.a. | n.a. | 4.33 |
| a2   | 1   | 3   | 2   | 1   | 5   | 5   | 3   | 2.86 |
| a3   | …   | …   | …   | …   | …   | …   | …   | …    |

Note:   Cultural dimensions (a1, a2, etc.) and their coding characteristics ("cc"), as coded by raters (cc1, cc2, etc.). For the collectivism dimension, a1 represents 'community relations' (see Table 1). Thus, a1 = 'presence or absence of community policy', a2 = 'giving back to community', a3 = 'social responsibility policy'

To establish psychometric properties of the scales involved, we followed scale-development and validation procedures, recommended in the literature [Baumgartner and Homburg 1996; Churchill 1979]. Since dimensionality and factor structure has been established in previous research [Singh, Kumar, and Baack 2005], we first performed reliability analyses on the six dimensions. Cronbach's alpha coefficients were calculated and produced 'respectable' results for each of the subscales with scale reliabilities above .80 [DeVellis 1991]. Furthermore, reliability of the coding procedure was assessed by calculating inter-rater reliability on a subset (33%) of the websites. Inter-rater reliability for the two raters was very high at 92.3% and thus provided additional evidence of the reliability of measurement instrument and process. Finally, we used principal component analysis (PCA) with Varimax rotation to reassess the six-dimensional structure of the cultural value framework, as suggested in previous studies. Given the confirmatory nature of the procedure we did not use the Kaiser extraction criterion, but restricted the extraction to the number of suggested (six) components. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was greater than 0.50, thus supporting the adequacy of our dataset to be subjected to PCA [Hair et al. 2002], furthermore the Bartlett test was performed to provide a measure of instrument validity. The structure was reproduced very well

in our dataset and none of the items had to be deleted[1]. Overall, for each of the six dimensions we found that the countries' websites featured significantly different results (Wilks' Lambda = .634, p=.000). Detail results are presented below.

3.4. Data analysis and findings

The composite score on all six cultural dimensions shows that German domestic, U.S., U.K. and Latin American websites differ significantly from each other (means: Germany = 3.08, U.S. = 2.98, U.K. = 2.95, Latin America = 2.15; F = 159.28, p < 0.05). I investigating the cultural dimensions in more detail, it can be seen that except for high context countries, all other cultural dimensions differed significantly across the local websites of Germany, the U.S., the U.K. and Latin America. Thus, in overall terms, H1 was supported (see Table 3).

Table 3: Descriptive statistics, MANOVA and Tukey (HSD) post hoc results

| | German Company Web sites in | | | | | | | | | |
| | Germany (n = 100) | | US (n = 100) | | UK (n = 100) | | Latin America (n = 47) | | | |
| Dimensions | Mean | SD | Mean | SD | Mean | SD | Mean | SD | F - value | Sig. |
|---|---|---|---|---|---|---|---|---|---|---|
| Collectivism | 2.7580ᵃ | 0.8919 | 2.5540ᵃ | 0.8149 | 2.5720ᵃ | 0.8135 | 1.9783ᵇ | 0.6841 | 9.73* | 0.000 |
| Individualism | 3.3003ᵃ | 0.8338 | 3.2771ᵃ | 0.8701 | 3.2438ᵃ | 0.8516 | 2.1711ᵇ | 0.7931 | 23.18* | 0.000 |
| Uncertainty Avoidance | 3.6020ᵃ | 0.5891 | 3.4780ᵃ | 0.5804 | 3.4660ᵃ | 0.5784 | 2.9383ᵇ | 0.5642 | 14.52* | 0.000 |
| Power distance | 3.2025ᵃ | 0.9264 | 3.0950ᵃ | 0.9002 | 2.9875ᵃ | 0.9350 | 1.4291ᵇ | 0.6377 | 48.65* | 0.000 |
| High Context | 2.4165ᵃ | 0.6743 | 2.3666ᵃ | 0.6877 | 2.3565ᵃ | 0.6770 | 2.2211ᵃ | 0.7271 | NS | 0.456 |
| Low Context | 3.0565ᵃ | 0.8045 | 3.0234ᵃ | 0.7924 | 2.9834ᵃ | 0.8187 | 2.0121ᵇ | 0.5724 | 22.92* | 0.000 |
| Composite Score | 3.0839ᵃ | 1.2473 | 2.9800ᵇ | 1.2245 | 2.9517ᵇ | 1.2331 | 2.1536ᶜ | 1.0394 | 159.28* | 0.000 |

Notes: Mean with different superscripts are statistically different from one another, *p < 0.05

However, Tukey´s (HSD) post hoc test revealed that there is no statistical difference between German, U.S. and U.K. sites. Hence, when removing the Latin America column from the table, it was established that German, U.K. and U.S. websites did not differ significantly in terms of cultural value depiction (see Table 4). In other words, Latin America is the single most important cultural context which contributes to differences in the cultural value depiction dimensions.

Table 4: Descriptive statistics, MANOVA and Tukey (HSD) post hoc results without Latin America

| | German Company Web sites in | | | | | | | |
| | Germany (n = 100) | | US (n = 100) | | UK (n = 100) | | | |
| Dimensions | Mean | SD | Mean | SD | Mean | SD | F - value | Sig. |
|---|---|---|---|---|---|---|---|---|
| Collectivism | 2.7580ᵃ | 0.8919 | 2.5540ᵃ | 0.8149 | 2.5720ᵃ | 0.8135 | NS | 0.166 |
| Individualism | 3.3003ᵃ | 0.8338 | 3.2771ᵃ | 0.8701 | 3.2438ᵃ | 0.8516 | NS | 0.895 |
| Uncertainty Avoidance | 3.6020ᵃ | 0.5891 | 3.4780ᵃ | 0.5804 | 3.4660ᵃ | 0.5784 | NS | 0.190 |
| Power distance | 3.2025ᵃ | 0.9264 | 3.0950ᵃ | 0.9002 | 2.9875ᵃ | 0.9350 | NS | 0.257 |
| High Context | 2.4165ᵃ | 0.6743 | 2.3666ᵃ | 0.6877 | 2.3565ᵃ | 0.6770 | NS | 0.800 |
| Low Context | 3.0565ᵃ | 0.8045 | 3.0234ᵃ | 0.7924 | 2.9834ᵃ | 0.8187 | NS | 0.813 |
| Composite Score | 3.0839ᵃ | 1.2473 | 2.9800ᵃ | 1.2245 | 2.9517ᵃ | 1.2331 | NS | 0.244 |

Notes: Mean with different superscripts are statistically different from one another, *p < 0.05

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[1]   The use of confirmatory factor analysis (CFA) is normally suggested in the literature for confirmatory purposes. However, due to the fact that our dataset was developed from the coding exercise of two raters rather than a many independent individuals – as in an ordinary questionnaire exercise – we refrained from this procedure which would have put more stringent restrictions on our dataset.

*Individualism*: According to a MANOVA test there are significant differences amongst the four independent variables (means: Germany = 3.30, U.S. = 3.28, U.K. = 3.24, Latin America = 2.17; F = 23.18, p < 0.05). However, Tukey's (HSD) post hoc test revealed that neither H2a nor H2b can be supported which implies that German websites don't demonstrate differences in terms of depicting individualistic characteristics (e.g. images and themes of self-reliance, self-recognition or unique product differentiation features). However, German websites show higher individualism than Latin American sites, i.e. H2c is supported.

*Collectivism*: No clear picture emerged for the collectivism dimension. While overall we found significant differences regarding collectivism, results contradicted our hypothesized relationships and overall cultural findings [Hofstede 1984]. Latin American websites demonstrated less collectivistic attributes as opposed to their German domestic, U.S. and U.K. websites (no support for H3a,b,c).

*Uncertainty avoidance*. German and country-specific U.S. and U.K. websites do not show significant differences in terms of uncertainty avoidance (H4a, H4b not supported). However, uncertainty avoidance featured more prominently on German than on Latin American websites, which was contrary to the hypothesized direction (H4c is supported).

*Power distance*: German websites did not depict lower levels of power distance than U.S. websites (H5a not supported). Approximately equal cues and number of attributes regarding company hierarchy information, pictures of CEOs, proper titles and vision statement were identified on German and U.K. sites, thus H5b was partially supported. As for H5c, German sites portrayed higher levels of PD than Latin America, which again was contrary to expectations.

*High and low context*: In terms of Hall's [1976] contextual dimensions, H6a was strongly supported, with German, U.S. and U.K. websites forming a cluster of equivalent high, low-context values compared to a statistically different and small low-context Latin American occurrence. Surprisingly, no major differences were found along the high context dimension, thus, H6b was not supported.

## 4. Discussion and limitations

One major contribution and finding of this study is that the results show significant differences in the depiction of cultural values on German MNCs local, and their international websites. This is particularly important in terms of the relationship to the theoretical work of Hofstede [1984] and Hall [1976], who suggested specific conceptualizations of culture. Our empirical analysis of cultural value depiction provides an indication of how far German MNCs, in their online communications efforts, adhere to these standards. It thus helps us to understand whether adaptation of online/internet messages to local cultures is seen as important. Interestingly, as far as German MNCs' home market is concerned, their domestic websites correspond to those distinctive cultural dimensions well. Thus, in line with research on print and television media, this study of the web also finds that advertising and communications prominently depict local cultural values. Yet, German MNCs international websites are not always adapted to meet local cultures. In fact, MNCs' websites graphical and textual depiction of cultural values in the U.S. and U.K. was largely similar to their home market value depiction (no significant differences were identified in cultural value depiction between Germany, U.S. and the websites in the U.K.). This is an interesting finding which implies that web designers of German MNCs retain German cultural value depiction and thus largely standardize websites in the U.S. and U.K. environments. Assuming culturally converging environments, within which buying behavior is somewhat similar, standardization of products and (online) marketing practices, clearly becomes an attractive proposition. "Treating the entire market of potential customers with a uniform strategy is cheaper and more quickly implemented than having several different approaches." [Lynch and Beck 2001].

By contrast, cultural value depiction is significantly different in Latin America on all but the high-context dimension. This finding can be interpreted in two related ways. First it may indicate an element of 'learning'. If, following the psychic distance logic [see e.g. Evans and Mavondo 2002; Kim 2003] we assume that German MNCs' online entry in Latin American markets was later than the U.S. or U.K. entry, our study suggest that German MNCs are beginning to appreciate the importance of adapting their online presence to meet particular demands in selected markets. As De Mooij [1998] indicates, while there may be global products and global brands, there are no global people. More specifically she maintains that while consumers may buy the same, i.e. standardized global products, the underlying cultural values and motives for buying these products will differ. Hence, German MNC companies apparently have learned that in order to capture larger online audiences, it is beneficial to localize their websites and meet target market culture through tailoring content and creative strategies. This finding is in line with Okazaki [2004] who investigated Japanese MNC's product-based websites in Spain and the US and found that firms were likely to localize on the basis of cultural dimensions and context.

Secondly, it may also be that German companies have treated their UK and US markets as sufficiently similar to their home markets and thus do not require major adaptation. Latin American markets, on the other hand are perceived as 'too' different from their home markets, rendering standardization inappropriate.

Taken together, the findings of our study could also be interpreted in terms of a 'contingency approach of online strategies'. It therefore would be interesting to explore further whether there is an equivalent of what in the offline context is called "regionalization" of international business [Rugman 2003] and, following a broad-brush view of cultural differences, could be termed "online regionalization". Regionalization is concerned with the view that firms' market strategies are becoming increasingly standardized – around regions rather than on a global scale - as capitalism and market homogenization are accelerating [Levitt 1983]. Lynch and Beck [2001] also challenge the assumption that the web is – by its very nature – global, as the majority of Internet user is outside the U.S. while the most online commerce to date has centered around the U.S. It is also likely that online 'regionalization' may have a looser geographical dimension and may reflect the degree of the development of online infrastructure and human resources [Birdsall and Birdsall 2005; Oxley and Yeung 2001]. This suggests that online standardization may be more likely across economically developed 'regions' whereas we may observe more adaptation when comparing developed  with less developed regions.

In managerial terms this study also has significant implications. Websites are virtually instantly available for anybody to see. In order to appropriately communicate and engage with desired target customers, however, it becomes critical to develop culturally varied international websites. The replication of home-office generated website and simple translation of content will not suffice to exploit market potentials. From this study we also see that, while cultural value depiction between German and Latin American company websites is significantly different, there is a rather crude adaptation in the Latin American markets, giving the impression of 'cultural alienation'. Hence, it is vital to adhere to the international audience and their expectations, develop culturally congruent designs and country specific websites. This paper presents the application of a cultural value framework in a novel country context and thus helps company managers to reach the minds of customers in key markets such as Latin America.

To overcome the current weakness of only superficial adherence to cultural values, more communication between German parent organization and country affiliates may be necessary, involving the transfer of staff or web-related technological know-how. This suggests to adopt strategic considerations from the organizational structure literature, possibly involving an integrative network/transnational model of inter-organizational relation [Bartlett, Ghoshal, and Beamish 2008].

There are some limitations in this paper that need to be addressed. One issue is that we did not control for different product or industry segments although this might produce different results [Liao, To, and Shih 2006], e.g. in terms of digitalization. For future work, it will be also important to investigate whether there are varied industry approaches to website standardization or adaptation, depending on B2B, B2C or other contextual factors. We also found that larger German companies derived bigger web efficiencies from a somewhat more standardized approach to website management. This suggests controlling for size effects in future studies.

Our findings also suggest that the cultural framework may be useful as a tool above and beyond the mere operationalization of cultural value depiction. It could be useful as a general approach towards website design and thus add to the literature of website quality [e.g. Barnes and Vidgen 2001; Holsapple, Pakath, and Sasidharan 2005; Loiacono, Watson, and Goodhue 2002; Sinkovics and Penz 2005]. Finally, it is important to note that the Internet is a fast moving and constantly evolving medium. A more dynamic approach to website analysis is encouraged, probably involving shorter time-periods regarding the analysis and frequent revisits of websites.

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Table 5: Market characteristics and NRI rankings for Latin American countries

| | PPP GDP in US-$ million | PPP GDP per capita in US-$ | NRI rankings | | | | † | Internet Users | Usage Growth | % Population (Penetration) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 01/02α | 02/03β | 03/04γ | 04/05δ | | | | |
| *Argentina* | $486.366 | $12,400 | 32th | 45th | 50th | 76th | 56th | 7,500,000 | 200.0% | 20.0% |
| *Chile* | $183.286 | $10,700 | 34th | 35th | 32th | 35th | 58th | 4,000,000 | 127.6% | 28.8% |
| *Colombia* | $322.582 | $6,600 | 57th | 59th | 60th | 66th | 67th | 3,585,688 | 308.4% | 7.8% |
| *Costa Rica* | $39.823 | $9,600 | 45th | 49th | 49th | 61th | 91th | 1,200,000 | 380.0% | 29.9% |
| *Equador* | $51.330 | $3,700 | 71th | 75th | 89th | 95th | 90th | 581,600 | 223.1% | 4.8% |
| *Mexico* | $1,014.514 | $9,600 | 44th | 47th | 44th | 60th | 26th | 14,901,687 | 449.4% | 14.3% |
| *Peru* | $155.388 | $5,600 | 52th | 67th | 70th | 90th | 87th | 4,570,000 | 82.8% | 16.3% |
| *Guatemala* | $52.926 | $4,200 | 68th | 73th | 86th | 88th | 99th | 400,000 | 515.4% | 3.2% |
| *Panama* | $22.235 | $6,900 | 48th | 61th | 58th | 69th | 103th | 192,100 | 326.9% | 6.2% |
| *Salvador* | $34.396 | $4,900 | 55th | 63th | 62th | 70th | 106th | 550,000 | 1275.0% | 8.5% |
| *Uruguay* | $32.174 | $14,500 | 37th | 55th | 54th | 64th | 114th | 1,190,120 | 221.7% | 36.6% |
| *Venezuela* | $155.790 | $5,800 | 50th | 66th | 72th | 84th | 74th | 3,040,000 | 220.0% | 12.2% |
| *Latin America* | $2,550.810 | | | | | | | 41,711,195 | 360.9% | 15.7% |

*Notes:* α) Out of 75 countries, β) Out of 82 countries [Dutta and Jain 2004], γ) Out of 102 countries and δ) Out of 104 countries [Lopez-Claros and Dutta 2005], †) Export destination rank for Germany: Out of 228 trading partners [Federal Statistical Office Germany 2004]. The figures for Latin America are calculated as follows: 1) SUM for PPP GDP in US-$ million, SUM for internet users, 2) MEAN aggregate for usage growth, MEAN aggregate for % population (penetration). Latin America row: Usage growth and percentage population penetration represent averages over all Latin American countries