

National Culture and Identity in Contemporary Global World: Assessment in Latvia

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This research aims to present the close interconnectedness of the issues of the cultural and national identity with globalization, and reveal opportunities for business organizations. The study evaluates and compares cultures as strategically important business resources. Since national identity (NATID) scale has been reported as the only measurement scale incorporating the resource perspective, and national cultural heritage in particular, it is applied as measurement instrument. This study assesses the relevance of NATID scale in general and its constructs in Latvia over three year time period from 2009 to 2011. Total sample size is 337 respondents. The results reveal satisfactory internal consistency reliability of the NATID scale in Latvia supporting the validity of Keillor and Hult's constructs. Cross country comparison allows positioning Latvian national identity as strong encompassing relatively very high consumer ethnocentrism. The results from different year samples show growing national identity and consumer ethnocentrism, however, based on Kruskal-Wallis test, the change is statistically insignificant. In spite of growth in absolute values, it is not possible to conclude that economic crisis and intensification of globalization result in statistically significant change of national identity constructs (NATID) during three years. Culture is a social phenomenon and more time is required for social change. Three years are too short a time period to assess national identity change, hence, leading to prospects for further research. Practical implications include incorporation of the NATID constructs in a Business Model, hence, providing companies with different perspective on cultures—national identity as a resource for business model innovation and thus indicating another prospect for further research.

Keywords: culture, national identity, globalization, business model

Introduction

Globalization, economic progress and new technologies are forcing firms to seek new market opportunities and to provide new solutions and new values for customers. Many researchers have emphasized strong cultural foundations of economic transactions, and evidently cultures and identities play an important role in the globalised economy. Due to, or may be despite of, globalization there is an increasing need for research on cultural aspects of business transactions. One way for dealing with uncertainty and economic turbulence is to emphasize historical roots thereby stability and confidence (Hakala, Latti, & Sandberg, 2011). There have been

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many attempts to measure and compare cultures. International and cross cultural marketing deals a lot with different cultural environments and necessity for companies to adapt their activities to different markets. However, existing theories of cross cultural management and communication are focusing mainly on value differences between cultures (Hofstede, 2001; Schwartz, 1999; Hall, 1976, 1989), and most of the researches look at cultural differences as causes of problems for marketers and personnel departments, and focus on ways and methods to overcome these problems. National cultures are usually understood as attitude creating phenomenon, still recent development of thought including UNESCO intangible cultural heritage list, provide the basis for wider perspectives. Studies on culture and national cultural heritage as a local resource are scarce. The few that exist tend to evaluate the impact of firms home country (Porter, 1980, 1985, 1998, 2004; Cuervo-Cazzura, 2011) and location specific resources (Alcacer & Chung, 2011; Piscitello, 2011; Zaheer & Nachum, 2011), however, mainly in connection with multinational organizations. Still there is no theory explaining how culture grounded resources fit in business models and create unique value propositions for both, international and local companies.

This paper aims to look at national cultures from resource perspective. The article proceeds as follows. First the globalization's influence on cultures and the concepts of culture, cultural identity and national identity are discussed and defined. Then existing attempts to measure national cultures are briefly evaluated. NATID scale developed by Keillor and Hult (1999) is applied to measure Latvian national identity beginning with 2009 three times with one year lag, and the scale is assessed for internal consistency reliability. National identity changes are presented in the context of economic crisis and globalization. Finally theoretical propositions leading to practical implications are presented.

Globalization and National Culture as a Resource for Business

Many authors suggest that the impact of globalization on culture is contradictory: on the one hand globalization works towards the unification of the world but on the other it awakes the tendencies towards the local and culture becoming more and more visible. The relationship is in reality reciprocal process, cultures do shape globalization processes and patterns and vice versa (Isar, 2011). Cultural diversity is both eroded and recreated by process of globalization (Moore, 2011). There is an augmenting opinion that globalization processes sooner strengthen than weaken different cultures. As Cowen (2003) stated in his "Creative Destruction", decline and creation belonged to the same movement linked to globalization. The same process that gives us a lot. McDonald's also gives us the choice of food such as French, Italian, Thai, Indian, Mexican, Chinese, Arabic, etc.. Over the past years there has been increased availability for foreign products, movies, music and television, and as a result, a lot more foreign cultures available to people everywhere. Globalization has led to increased awareness of differences and similarities both within and across cultures (Denner, 1998). The information revolution may reinforce rather than reduce cultural diversity. Internet allows dispersed customers to come together in a way that encourages niche markets (Nye, 2004). In the public discussions about globalization's impact on cultures, the view that globalization promotes cultural differences significantly prevails. Although, to some extent, the world is becoming homogenized, yet national and regional cultures prevail, individuals seek differences which may or may not be based on national or cultural distinction; they consequently seek something new and diverse, and inevitably demand more choices.

The notion of culture as a resource is relatively new in academic discourse and is developed mainly due to many years of research undertaken by UNESCO. Moore (2011) describes culture as a resource, an asset, ownership of which guarantees validity of identity claims. The new understanding of culture as both: index of diversity and a resource means that culture is consistently refigured as value and intangible asset (Moore, 2011). New view of culture as something over which we can have proprietary rights brings to understanding culture as something that has many uses and many ways in which it can be deployed. UNESCO world Intangible Cultural Heritage list in 2010 inscribes 51 elements, however, all, except one, are traditional song, dance, rituals and similar events and activities. The only one which truly can be considered as an intangible resource is the “Mediterranean diet”. It constitutes “a set of skills, knowledge, practices and traditions ranging from the landscape to the table, including harvesting, fishing, conservation, processing, preparation and, particularly, consumption of food” (UNESCO). The Mediterranean diet is a characteristic model that has remained constant over time and space and it encompasses more than just food. It promotes social interactions which are the cornerstone of social customs and festive events.

Since globalization trends to provoke interest towards different cultures (Chirjevskis & Ludviga, 2009), and national cultures are historically rich in specific knowledge and skills, cultures could be used as pool of intangible recourses for competitive advantages and business model innovations. Hence, further in this paper deeper analysis of culture and possibilities to measure its components follow.

Culture and Identity: Theories and Measurement

The classical definition of culture from 1871 by Edward Burnett Tylor states “Culture... is that complex whole which includes knowledge, belief, art, morals, law, customs, and any other capabilities and habits acquired by man as a member of society”. The observable aspects of culture, such as food, type of clothing, celebrations, customs, traditional music and dances, different languages are only part of cultural heritage. Invisible part is shared values, norms, customs, traditions, skills, specific knowledge and way of doing things. Probably the most famous definition of culture is the one from Hofstede (2001): “the collective programming of the mind which distinguishes the members of one human group from another... the interactive aggregate of common characteristics that influence a human group's response to its environment”, or as he defined it in 1991, “the collective programming of the mind acquired by growing up in a particular country”. In the words of Stuart Hall, culture is, “the meaning and the values which arise among distinctive social groups and classes, on the basis of their given historical conditions and relationship, through which they ‘handle’ and respond to conditions of existence” (Hall, quoted in Dahl, 2000).

Hofstede (2001) and Hall (1989), as well as many others, focus mainly on behavioral aspects of culture. Still, according to Sotshangane (2002), today culture is best thought of as resource, like other resources, such as energy, food, air etc.. Culture refers to, “firstly, the ways, means, and results of the human interaction with and material transformation of the nature towards an environment suitable to human existence and to the total strategy of human orientation within the environment”. Culture can also be defined as capital, which is cumulative, leads to benefits in the social world, can be converted into other forms of capital and can be reproduced (Denner, 1998). It is also defined as a “set of universally adaptive tools”. Culture should be regarded as process rather than a distinctive whole identifiable by the sum of elements which are integrated and work as a set (Usunier & Lee,

2005). Hence, it is not only a toolbox, but even more it is a toolbox with specific “directions for use”.

Cultural identity is the means for distinguishing one culture from another. The definition of “identity” can be developed as a “sense of culture” (Keillor & Hult, 1999). Identity is the extent to which a given culture recognizes and identifies its unique characteristics, or, in other words, the degree to which a nation and its individuals have a strong sense of cultural and national uniqueness. Cultural identity is not something people are born with, it is deliberately transmitted by the family and shaped by experiences and interactions with others. Cultural identity is the feeling of a group or culture or of an individual as far as this individual is influenced by belonging to a group of culture. It distinguishes one culture from another thus helps marketers to cease the differences between consumers’ cultural meanings. Cultural identity is often connected with ethnicity and ethnic consumption is a strong component in modern consumption culture. Still viewing countries as nation states, not as ethnic entities, but as consumer groups with common national identity provide more value for businesses and marketers. Thus national identity can be used as a measure of countries’ cultural differences. In most of the comparative management studies, national boundaries are accepted as operational definitions of culturally distinct units (Adler, 1983). National identity refers to a construct that is developed in conjunction with historical developments and it can be used as a means to differentiate between cultures. Keillor and Hult (1999) characterize national identity as “the set of meanings owned by a given culture that sets it apart from other cultures” and highlight the importance of a particular culture to identify their common ground as their unique identity. Distinctive features of national identity are: historic territory, common myths and historic memories, common mass culture, common legal rights and duties and common economy.

NATID scale is reported in literature for identifying the core elements that define the uniqueness of given culture or nation as far as their association with marketing is concerned (Chi Cui & Adams, 2002). Measure of NATID developed by Keillor and Hult (1999) is partially formulated on the premise that the elements, which characterize nation’s identity, are also the components, which serve to tie sub-cultures together within national boundaries. This makes Keillor’s framework applicable for use in business, as there is no need to distinguish between identities of different people living in the country. All sub-cultures together make this composite “national identity”, which is defined by Keillor and Hult as “sense” of culture. The components or “core concepts” of NATID by Keillor and Hult (1999) are presented in Figure 1.

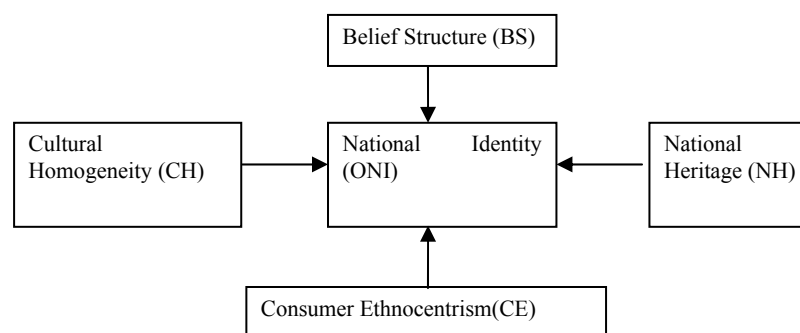


Figure 1. NATID constructs (Keillor & Hult, 1999).

National heritage (NH) reflects the given “culture’s sense of their own unique history”. As proposed by

Keillor and Hult, it is measured by importance of historical figures and events. According to UNESCO, cultural heritage does not end at monuments and collections of objects. It also includes “traditions and living expressions inherited from our ancestors, such as oral traditions, performing arts, social practices, rituals, festive events, knowledge and practices concerning nature and the universe or the knowledge and skills to produce traditional crafts”. The term has changed during recent decades and special emphasis is put on intangible cultural heritage which becomes important because of the wealth of knowledge and skills that is transmitted from one generation to another. According to UNESCO’s 2003 Convention for Safeguarding of Intangible Cultural Heritage (ICH), this type of heritage is the driving force of cultural diversity and provides a guarantee for sustainable creativity (Anheier & Isar, 2011). In Article 2 of the convention the following domains of ICH are distinguished: performing arts; social practices, rituals and festive events; knowledge and practices concerning nature and the universe; traditional craftsmanship.

Cultural homogeneity (CH) deals with the cultural uniqueness of a given society and whether the number of subcultures has inverse relationship to the strength of national identity. UNESCO characterise intangible cultural heritage as inclusive, meaning that it is shared, it contributes to social cohesion encouraging a sense of identity and responsibility which helps individuals who are part of one or different communities to feel part of the society at large.

Belief structure (BS) mainly shows the role of religion and whether it “affects the moral reasoning process in a marketing ethics context”. For many people their religious affiliation is more important than their nationality. World is very diverse regarding religious practices, still the border between religion and other traditional beliefs is not strict here. Research shows that in industrialised countries there is a shift from church-based traditional religious beliefs to much more personalised, and hybrid engagement with questions about the meaning of life and transcendentalism (Anheier & Isar, 2011). Belief structure rather is the composite of how and what people think and believe and why they think and believe what they do, and about themselves and the world. The belief structure is what gives rise to opinions, judgments, understanding and most importantly, the interpretations people have about the nature of reality and of their experience.

Ethnocentrism which is measured in NATID scale as Consumer Ethnocentrism (CE) accounts for the “importance placed on maintaining culturally-centered values and behaviors”. It affects product choices in consumer behavior and its effect on a particular business can be positive if the product is culturally bound and consumer supports this culture. From marketers’ viewpoint, consumer ethnocentrism is an important construct as it directly influences consumers’ attitudes and perceptions about products. Shankarmahesh (2006) views consumer ethnocentrism as not-tariff barrier to international trade stressing the role of governments in institutionalization in the form of procurement policy the favors domestic companies.

As stated by Moriss (2009), culture is neither stable nor rigid, but a dynamic process constantly evolving and adapting to globalization and other influences. National identity, as described and measured by Keillor and Hult, refers to the specific period of time which describes the culture of particular nation at the definite point of time. NATID scale based on four constructs provides a comparable measure of differences between the national identities of different nations. It “empirically measures how strong individuals in a given nation identify with religion, cultural and social aspects of their national identity” (Keillor, Hult, Erfmeyer, & Babakus, 1996). NATID scale measures individual’s perception about the value and weight of his/her culture and identity, not

identity as objective reality. Keillor and Hult (1999) initially developed 114-item scale and after analysis shortened it and finally came up with 17 item Likert-type attitude statement. Three items are used to measure National heritage, four items to measure Cultural Homogeneity and five items are used to measure each of both Belief System and Consumer Ethnocentrism. Overall national identity is summated score of all four constructs. Scoring is done on seven point scale ranging from “strongly agree” to “strongly disagree”. The authors analyzed five countries and regions: US, Japan, Sweden, Hong Kong, and Mexico. According to their study, the strongest national identity, calculated as a summated score of the four dimensions, appeared to be in US and the weakest in Sweden. This study was replicated by Phau and Chan (2003) in Asia offering a tool to incorporate new viewpoints in international marketing strategy, and Chi Cui and Adams (2002), who applied the scale to Yemen

Keillor and Hult as well as Phay and Chan reported good reliability of the scale, however Chi Cui and Adams (2002) reported internal inconsistency and concluded that it did not fit the Yemen data. They proposed a modified scale and came up with some improvements resulting in two alternative models thus concluding that it should be modified according to the specifics of the particular nation. Apart from this limitation, NATID scale can be criticized for its incompleteness of capturing all relevant construct related information (Spieberger & Ungersbock, 2005), still it allows cross country comparison. LeBahn and Harich (1997) concluded that cultures encompass subjective dimension (beliefs, attitudes and values), interactive dimension (verbal and non verbal communication) and material dimension (artifacts), and all these aspects are included in the NATID scale. Most of the cross-cultural management studies focus on behavioral interpretations thus subjective and interactive dimensions. NATID approach is the only one which includes material dimension in the form of cultural heritage construct. Therefore, it is applied in this research to assess Latvian national identity change and draw cross country comparisons, besides the scale is tested and modified.

The Research Methodology and Research Context: Latvia

Latvia is one of the Baltic countries situated near the Baltic sea with a population of about 2.3 million. Mainly Germans, Swedes, and Russians have influenced its culture. It experienced Soviet regime from 1945 until 1991 when the independent Republic of Latvia was re-established. It joined EU in 2001 and in 2008 was seriously affected by the economic crisis. For Latvians identity means “sameness”. The two sides are represented by our present, our present being and our understanding of that being, our convention, our agreement. Famous Latvian poet Imants Ziedonis wrote that cultural identity was “found only in that which is, lives, wants to live and flourish. It exists and will continue to exist without our attempt to define it”.

As concluded previously, NATID model is the only one available which includes the resource perspective on culture. Hence, it is used to assess Latvian national identity and to compare Latvia with other countries where NATID data are available. All of the above mentioned researchers suggested that NATID model should be tested in other countries thus contributing to internal consistency analysis and cross country comparisons. Therefore analogical study was carried out in Latvia, moreover, Latvian study included three time periods with a year lag. NATID was measured in Latvia in the same months—May in 2009, 2010, and 2011. The original English version was used in order to avoid translation errors.

Taking into consideration language and practical constraints, convenience samples were used similar as it was in study by Chi Cui and Adams. The original study sample was composed by four types of adult

groups—students, academics, business professionals, and female consumers. In Yemen study the sample was skewed towards younger population for consistency with the country's population. Justification of younger sample in this research was based on assumptions of Witkovich (1998) and Shankarmahesh (2006), and others cited in his works stating that younger people tend to be more mobile and open minded thus they do not identify themselves so much with particular location and they tend to be less ethnocentric. Latvian sample includes respondents aged between 18 and 52 with higher proportion of younger respondents. Although all Latvian nationals, the mother tongue (or origin) is representative for the capital city Riga, and it is 35%-40% Latvians and 65%-60% other. This adds some prudence to the research, as in case of older sample, one can expect even higher consumer ethnocentrism and overall national identity.

Cross Country Comparison

Cultural construct measures can not be considered as high or low as absolute values, they are meaningful only in comparison. NATID scale is not applied widely therefore data are available only for limited number of countries. Keillor and Hult (1999) measured national identity in Mexico, Hong Kong, USA, Japan, and Sweden, latter their study was replicated by Phay and Chun (2003) in Korea, Singapore, Thailand, and Taiwan. These countries are used for comparison with Latvia. Although Chi Cui and Adams (2001) conducted NATID survey in Yemen, their data would not be used as the authors reported unsatisfactory fit of the model.

Ten countries' data are presented in Table 1. All the constructs of national identity are presented by mean scores followed by the standard deviation in parentheses. The sample sizes are indicated below the country's name. The data for Latvia from 2009 survey are used in the table as these results are closer to the other studies in terms of time.

Table 1 presents the NATID scores for 10 countries ranging from 13.4 to 19.59 with standard deviations ranging from 2.06 to 3.08. The mean NATID value from all ten countries is 16.39 with standard deviation 1.78.

Table 1

Cross-Country Comparison

Construct	Latvia (n = 102)	Mexico* (n = 183)	Hong Kong* (n = 234)	USA* (n = 167)	Sweden* (n = 129)	Japan* (n = 248)	Korea^ (n = 184)	Singapore^ (n = 131)	Thailand^ (n = 126)	Taiwan^ (n = 124)
National heritage (NH)	4.60 (1.14)	5.07 (1.22)	4.14 (1.39)	5.15 (1.11)	4.64 (1.23)	4.9 (1.22)	4.93 (0.85)	3.63 (1.08)	5.30 (0.94)	4.55 (1.10)
Cultural homogeneity (CH)	4.57 (1.00)	4.74 (1.13)	3.92 (1.09)	4.92 (0.98)	4.12 (1.11)	4.73 (1.11)	4.85 (0.77)	4.52 (1.23)	4.98 (1.45)	4.33 (0.92)
Belief structure (BS)	3.44 (0.89)	3.49 (0.99)	2.82 (1.05)	3.49 (1.06)	2.56 (0.95)	2.8 (1.02)	3.73 (1.00)	3.6 (1.72)	4.38 (0.71)	3.8 (0.91)
Consumer ethnocentrism (CE)	4.32 (1.31)	3.71 (0.92)	4.36 (0.99)	3.88 (1.23)	2.1 (1.09)	2.37 (1.09)	4.33 (1.11)	3.36 (1.00)	4.93 (1.13)	3.88 (1.04)
National identity (ONI)	16.93 (2.50)	17.00 (2.67)	15.22 (2.85)	17.44 (2.90)	13.4 (3.08)	14.79 (2.84)	17.84 (2.48)	15.11 (2.06)	19.59 (2.40)	16.57 (2.69)

Note. Source: Countries with * data from Keillor, Hult, 1999; Country with ^ data from Phau, Chan, 2003; Scores for Latvia from 2009-original study.

As proposed by Phay and Chan (2003), it is possible to classify ONI into five sections singling out the top,

middle and bottom, 15% of the normal probability distribution. The top labeled “extremely strong” and bottom “extremely weak”, 15% of the distribution correspond to 1.0 standard deviation from the mean for the sample, the middle 15% scores within the range of 0.2179 standard deviation are considered as “neither weak nor strong” (Phau & Chan, 2003). The remaining 25.5% above and below the mean are labeled as “strong” and “weak”. The classification is presented in Table 2.

Table 2

Classification of NATID Scores

NATID score classification	Range of NATID score (mean score = 16.39)	% of probabilities	Deviations from mean (standard deviation, $\sigma = 1.78$)
Extremely strong	$\text{NATID} \geq 18.18$	≤ 15	1.00 σ above mean
Strong	$16.77 < \text{NATID} < 18.18$	< 27.5	
Neither strong nor weak	$16.00 \leq \text{NATID} \leq 16.77$	≤ 15	0.2179 σ above and below mean
Weak	$14.61 < \text{NATID} < 16.00$	< 27.5	
Extremely weak	$\text{NATID} \leq 14.61$	≤ 15	1.00 σ below mean

The strongest ONI is Thailand and it scores highest in all the constructs. It falls in extremely strong category if compared with the current 10-country sample. Relatively strong ONI is presented in Latvia, Mexico, USA and Korea. Taiwan in this comparison represents neither strong, nor weak national identity. Weak national identity is exhibited in Japanese, Hong Kong and Singapore samples. Sweden sample exhibits the lowest score of Overall National Identity mainly because of low consumer ethnocentrism and belief structure. The weakest score of consumer ethnocentrism is in Sweden and Japan, while the strongest in Hong Kong, Korea, and Latvia. Respondents in Thailand, Mexico, and USA put the strongest emphasis on their national heritage. Latvian national identity (16.93) falls into category “strong”, however, NH is ranked only seventh, but CE is ranked fourth. Latvian ONI is in the middle of the sample.

NATID in Latvia: Longitudinal Study

Since culture is dynamic process (Moriss, 2009) and influenced by globalization forces (Cowen, 2003; Denner, 1998; Moore, 2011) as well as economic conditions in a particular location, NATID constructs are measured in Latvia during three years period thus enabling to assess changes. Initial aim of measuring national identity over three years was to identify changes in correlation with globalization forces and economic situation. Figure 2 presents the logic for the longitudinal research.

The following research question is developed according to the above stated aim. *RQ: Is National Identity influenced by globalization forces and economic crisis?* The null and alternative Hypotheses are proposed:

H_0 : all three year populations are identical, or $H_0: \mu_{2009} = \mu_{2010} = \mu_{2011}$.

H_a : not all populations are identical, or $H_a: \mu_{2009} \neq \mu_{2010} \neq \mu_{2011}$.

The question is answered by comparing ONI in Latvia over three years and with economic indicators and KOF index of globalization, which is proposed by KOF Swiss Economic Institute (2011) and measures globalization according to three dimensions—economic, social and political.

Economic situation in Latvia in recent years can be characterized as really turbulent. Until the middle of 2008 it had the fastest developing economy in Europe. In 2003, GDP growth was 7.5% and inflation was 2.9%. Unemployment was 9% from 2003 to 2005; however, in 2009 it rose to 23% and was the highest in the European

Union. The Latvian economy entered a phase of fiscal contraction during the second half of 2008 after an extended period of credit-based speculation and unrealistic inflation of real estate values. According to 2010 World Fact Book Latvia has had negative GDP growth rate since 2008 as shown in the table (in 2009 US dollars).

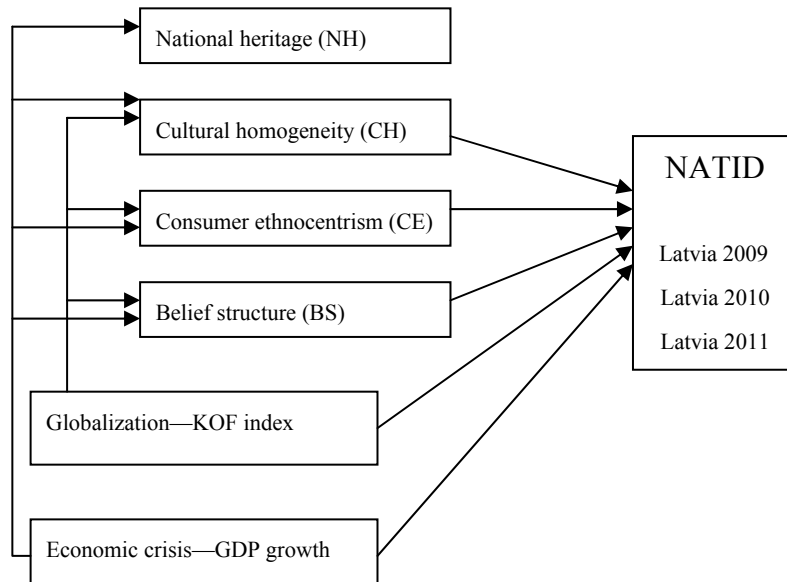


Figure 2. Theoretical model for national identity longitudinal assessment.

Taking into consideration that culture as social phenomenon changes slowly and some time is necessary for environmental forces to impact cultural attitudes and perception, NATID constructs are compared with the environmental measures from previous year (–1 year). The results of the longitudinal study are presented in Table 3. The sample sizes are indicated below the year, and mean scores of all the NATID constructs are followed by the standard deviations in parenthesis. Constructs' changes in percent are presented.

Table 3

NATID Constructs in Latvia in 2009, 2010, and 2011

NATID construct	Latvia 2009 (N = 102)	Latvia 2010 (N = 113)	Change	Latvia 2011 (N = 122)	Total change
National heritage (NH)	4.58 (1.21)	4.43 (1.57)	-3.23%	4.56 (0.89)	-0.36%
Cultural homogeneity (CH)	4.61 (1.08)	4.52 (1.52)	-1.99%	4.53 (0.84)	-1.80%
Belief system (BS)	3.43 (0.94)	3.82 (1.91)	11.23%	3.77 (0.71)	9.94%
Consumer ethnocentrism (CE)	4.31 (1.25)	4.51 (2.48)	4.71%	4.37 (1.09)	1.55%
Overall national identity (ONI)	16.95 (2.66)	17.28 (2.74)	1.93%	17.24 (2.36)	1.69%
KOF index of globalization (-1 year)	63.24	76.14		71.6	
GDP per capita - PPP \$	17,600	14,500		13,834	
Real GDP growth (-1 year)	-4.6%	-17.8%		-1.8%	

Note. Source: compiled by the author; KOF Index of Globalisation from Maastricht University (2011); GDP data from http://www.theodora.com/wfbcurrent/latvia/latvia_economy.html.

Real GDP has decreased by 6% by the end of the period leading to overall National Identity score increase

by more than 2% and it can be considered as quite strong. All the constructs of national identity except cultural homogeneity have increased. Cultural Homogeneity in contrary has decreased thus indicating the polarization of society. The society is becoming more culturally diverse and members of the subcultures consider more their differences than similarities. This can be explained by the poor economic performance of the country and people, being embarrassed by unsuccessful actions and decisions of the government also leading to political separation of subcultures.

Latvian respondents did not report a distinctly high score in the Belief System in 2009, or in 2010. Still the increase in 2011 is significant, and it can be explained with human behavior seeking consolation in religion in times of turbulence and uncertainty.

Consumer Ethnocentrism increased by 4.71% between 2009 and 2010. It represents the beliefs held by consumers about appropriateness and morality of purchasing foreign products. Thus consumers are becoming more ethnocentric and believe that purchasing imported products can harm the domestic economy and cause unemployment. They see that their duty is to support and protect the economy of their country.

Correlation among the NATID constructs and environmental measures is presented in Table 4. Globalization index (KOF) shows strong positive correlation with overall national identity (ONI), as well as with belief system and consumer ethnocentrism. GDP growth, however, shows strong negative correlation with ONI and BS. It can be concluded that intensification of globalization leads to stronger national identity and economic crisis, and decreasing GDP fosters national identity and consumer ethnocentrism.

Table 4

Correlations

	NH	CH	BS	CE	ONI
NH	1.0000				
CH	0.7808	1.0000			
BS	-0.7426	-0.9983	1.0000		
CE	-0.9978	-0.8201	0.7849	1.0000	
ONI	-0.7409	-0.9981	1.0000	0.7834	1.0000
KOF	-0.8837	-0.9824	0.9697	0.9125	0.9691
GDP per capita	0.5337	0.9451	-0.9627	-0.5881	-0.9634

Further changes presented in Table 3 are tested for statistical significance. The data type in this research (Likert type) questions ANOVA assumption 1 about interval scale. In this case an appropriate alternative to the one-way independent-samples ANOVA is Kruskal-Wallis test which is nonparametric test for the significance of the difference among the distributions of k independent samples. It uses only the ordinal rank of the data and it does not require the assumption of normally distributed population. In the framework of this research Kruskal-Wallis test provides more suitable statistical procedure for testing whether the populations are identical. The level of significance $\alpha = 0.05$ and $k = 3$. A larger Kruskal-Wallis H corresponds to a larger discrepancy among rank sums. In this case $H = 0.513923$ value is small and associated p -value = 0.773398; with two degrees of freedom ($k - 1 = 2$). As p -value $0.77 > \alpha$, H_0 should not be rejected.

It means that in spite of overall national identity (ONI) growth in absolute values, the increase should be considered as insignificant and treated with caution. It is not possible to conclude that economic crisis and

intensification of globalization result in statistically significant change of NATID construct during three years. Culture is a social phenomenon and more time is required for social change. Three years are too short a time period to assess national identity change, hence, leading to prospects for further research.

Internal consistency reliability tests for all three year samples from Latvian respondents show contradictory results. Table 5 presents the summary of Cronbach's alpha coefficients.

Table 5

Reliability Coefficients for All Samples

NATID or its construct	Cronbach's α 2009	Cronbach's α 2010	Cronbach's α 2011
NH	0.632556497	0.732068705	0.616528048
CH	0.703120424	0.486151579	0.679192133
BS	0.720791822	0.698306021	0.61787877
CE	0.787792177	0.675390786	0.751974479
ONI	0.704035109	0.729559724	0.718358086

Cronbach's alpha for 2009 sample showed acceptable reliability of all the constructs except national heritage (NH). The reason might be that national heritage was measured only by three questions in the NATID scale and therefore, as suggested by Chi Cui and Adams (2001), additional question was introduced. Hence the scale used for years 2010 and 2011 included 18 questions.

It can be concluded that overall NATID model reliability is acceptable, as all ONI Cronbach's $\alpha > 0.7$, still none of the sub-constructs show consistently reliable results for all three years samples. However consumer ethnocentrism (CE) reliability also can be considered as acceptable as, if rounded, $\alpha > 0.7$ in all three samples.

Implications for Business Organizations

NATID scale incorporates both views on cultural identity: culture as an attitude and value (represented by belief system and consumer ethnocentrism) and culture as a resource (represented by national heritage). Cultural homogeneity includes some aspects from both. Understanding culture and NATID constructs can help companies to design strategies and new business models. Incorporating cultural aspects in the business model allow reinventing more than two elements thus, according to Lingardt (2009), it can be considered as business model innovation. The relationship between NATID constructs and Business Model is proposed in Figure 3.

National heritage can serves as intangible resource and specific value proposition in the same time. For example, Baileys use two Irish traditional skills combined—distilling and farming. Successful R&D by developing ancient skills and traditions has resulted in unique product, Bailey's Irish cream Liqueur, in which milk is preserved by the alcohol alone. Applying and developing culturally grounded skills and competences allow Latvian toiletry producer STENDERS to develop dynamic service capabilities and sales process innovation. In the same time the company has created unique value proposition in highly saturated industries.

Cultural homogeneity serves as resource for capability building and value proposition for Finish company Marimeko whose designs are identified with Finish folk songs, still links to Yugoslavian, African, Italian, and Algerian traditional design can be traced. One of the current designers (Fudzivo Išimoto) has introduced Japanese aspects in traditional Finish design by adding more abstract ornaments and softer lines to traditionally nature based and colorful fabrics.

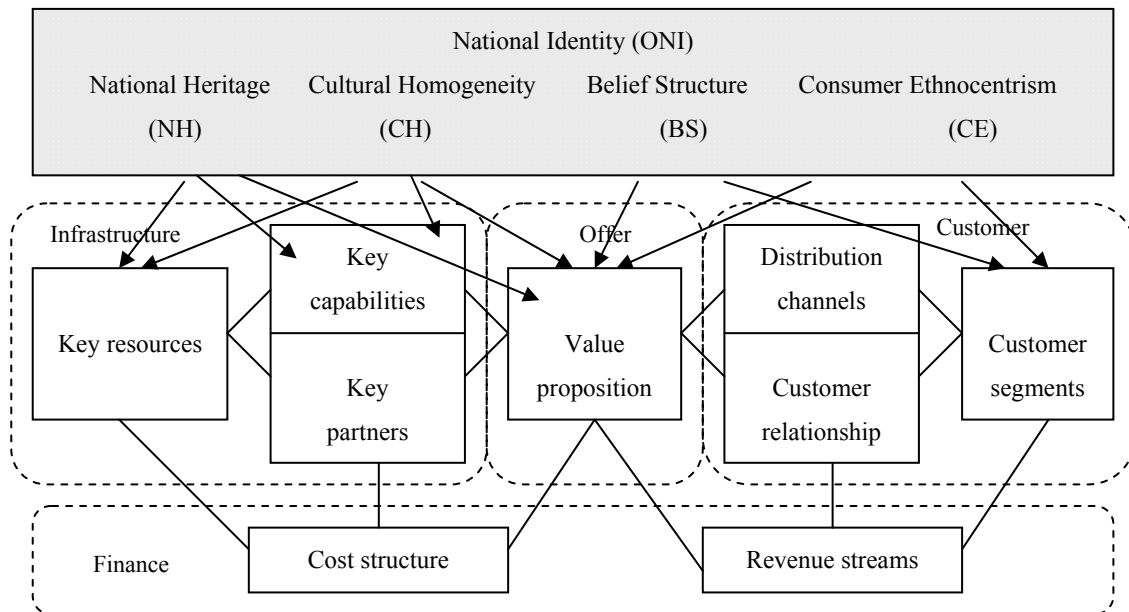


Figure 3. National identity and business model.

Belief structure provides a value proposition and serves as consumer segmenting instrument for Muslim Colas. Several companies have created their products based on specific beliefs of Muslim consumers and their products are alternatives to such “western” products as Coca Cola and Pepsi. These products are distributed throughout the Middle East, some African and European countries.

Consumer ethnocentrism fits in the business model both as unique value proposition and basis for customer segmentation. This construct refers more to locations or countries than to firms, however, opportunities exist for local companies to find niche markets where the local identity and culture is an advantage.

In the global marketplace where products are losing their identity because of their similarity in the function, designing local features into a product appears to be more and more important and ensures differentiation and enriches consumer’s experiences. Anholt (1998) believes that culture plays an essential role in the process of enriching a country’s brand image, it plays a role of communicator of a country’s true spirit and essence. The easiest way to promote country’s brand or identity is through products carrying this identity. State, society and business community are inseparable. Country’s brand helps companies to find export markets and vice versa, successful products with cultural characteristics promote country. Understanding culture, identity and its constructs can help companies to tailor their strategies to particular markets.

Summary and Conclusions

The main aim of the current research is to present the close interconnectedness of the issues of the cultural and national identity with globalization and economic situation and reveal opportunities how business organizations can benefit from current situation. Conclusions can be summarized as follows.

NATID scale for quantifying national identity and its constructs is the only existing measure viewing culture from resource perspective and it has proved to be quite reliable, however, there is place for its improvement. Culture can be viewed from resource perspective and intangible resources inherited in indigenous cultures can serve for business organisations, some of them being inscribed in UNESCO Intangible Heritage List.

Latvia has relatively strong National Identity and high consumer ethnocentrism; hence local companies should capitalize on it. Data show that customers will appreciate products with cultural attributes and Latvian culture has variety of unique features which could be added to the products in order to enrich customers' experiences. The study shows that economic factors, such as economic crisis and decreasing purchasing power can be considered as antecedents of consumer ethnocentrism and stronger overall national identity. Its impact on consumer decision making is in favor of domestic producers. However, three year time period is too short to draw conclusions about statistically significant change.

Culture still is understood mainly as art—paintings, theatre, music etc., or as value or attitude in international marketing studies. Up to now it is frequently regarded as “not-for-profit” activity. It is time to realize that it is much wider concept. Culture definitely is a pool of resources and if wisely used can be sold with profit. Access to this pool is free for those who understand the particular culture. For companies it can serve as basis for sustained competitive advantage through differentiation and business model innovation, as unique value proposition and co-creation of value. Local marketers should take advantage of ethnocentric tendencies and promote their “native” image. This can provide even small domestic companies with competitive advantage over large international competitors.

Limitations of the study include the sample choice and time period as it turned out to be too short. NATID scale data for only limited number of countries is currently available; hence, its application in management decision-making process is limited.

Limited number of methods for capturing culture as resource and value for business organizations, for understanding culture specific skills base provide arena for future research. Replication and extension of NATID studies for other countries will help to build more insight and add to understanding of national identity and enrich cross country comparisons. National identity constructs should be measured over longer time period and changes could be evaluated under the impact of environmental factors.

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