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THE ROLE OF NATIONAL CULTURE IN CONTEMPORARY BUSINESS ENVIRONMENT

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Abstract

Together with the new millennium, the global economy that is "world without borders" has become an everyday way of modern business. In order to fulfil the task given to them, the employees of around the globe are working together. Modern technology, new ways of communication, technology and information transfer has enabled us that such a business is easy and affordable. The emerging trend of multinational corporations and their increasing power in global economy have led to the fact that we work and communicate globally each day - our business partners, suppliers and customers are located all over the world, and this became our reality. Given the large number of contacts, the successful use of cultural diversity has become an important area of management. Although this area is still emerging, it is an area of vital importance to the management of people and processes in the modern economy; of particular importance to the global managers who work for multinational corporations located in different countries. Not just managers, but all people doing business globally or just communicating globally, should take into account the culture as an aspect of business, and take advantage of all the resources that can international environment provide. The aim of this paper is to show that the understanding of cultural roots of human

behaviour is important not just for managers and management style - it goes beyond it, and reflects its impact on other organizational functions too.

Key words: culture, diversity, management

1. INTRODUCTION

In the context of globalization process and the growth of economic interdependence between countries, national culture is becoming crucial for modern business processes. Best and the most concise way to express the cultural impact on management (Drucker, 2001), is with the statement that what managers do is the same in the whole world, but how they do it can be entirely different. Today, the globalization of business is expanding rapidly and continues to be much researched and discussed (Fischer, 2003.;Clougherty, 2001.). With this global expansion, understanding the impact of national culture on organizational variables becomes a one of the most influential factor in the success or failure of companies doing business globally. For most multinational companies, sensitivity to national differences and ability to develop national variations in the “rules” and ways of operating businesses in different parts of the world may improve the success of these corporations (Ashton, 1984.).

Understanding culture can equip person for the challenges of modern business environment. Nevertheless, recognizing and the importance of cultural differences helps managers understand their international partners and competitors and ultimately helps to improve their managerial skills (Cullen, Praveen, 2005.). However, it is rather difficult to recognize a direct influence of culture on business. Cultural diversity influences many processes in every-day business, and thus it is quite important to manage it adequately in order to get the best results.

2. DEFINITION OF NATIONAL CULTURE

A significant challenge to international business is a successful adaptation of diverse cultures and their impact on daily operations. Such adaptation requires an understanding of culture, cultural diversity, views, stereotypes and values. Thus, in the last few decades there has been increase in interest in this subject, and have in recent years carried out a considerable amount of research related to cultural dimensions and attitudes. These researches have demonstrated the importance of addressing this issue in order to improve business performance.

There is unanimity among scientists and business people about the importance of national culture (Bazerman, Tenbrunsel, 2011; Wright, Drewery, 2006). However, this cannot be said for the definition of national culture. Different authors from completely different scientific fields are trying to define culture by starting off from different levels and forms (Fisher, Poortinga, 2012). Culture is the shared values and beliefs that enable its members understand their roles and norms of the organization (Hodgetts, Luthans & Doh, 2006). The word derives from the Latin "cultura", which refers to a cult or an object of worship. In a broader sense, the term refers to the results of human interaction. Anthropologists see culture in many ways. One of the most widely used definition of culture is (Kluckhohn, 1951): "Culture consists of explicit and implicit patterns, and behaviours acquired and transmitted symbols, which form the characteristic achievement group of people, including embodiments in artefacts; essential core of culture consists of traditional ideas and especially their values added; system of culture on the one hand can see as a product of action, on the other hand, as conditional elements of future action. Culture can be defined as a general pattern of behaviour, based on the values and beliefs that develop over time in a given society (Bahtijarevic-Siber, Sikavica, 2001). These are common knowledge, beliefs, values, norms of behaviour and ways of opinions of members of a society.

The essential characteristics of culture are as follows (Hodgetts, Luthans & Doh, 2006): it is learned not inherited, common, generational, symbolic, structured/integrated, and adaptive. Due to the existence of different cultures in the world, an understanding of their impact on behaviour is critical for global business. If global managers do not know the culture of a country with whom or in which they operate, business performance can be extremely negative (Safire, 1995). According to one of the most commonly used definition, culture is the collective programming of thought that the members of one group or category of people distinguished from others (Hofstede, 1980).

2.1. Cultural values

The basic concept in studies of culture is precisely the values (Hofstede G., Hofstede J.G., 2005). Values represents the basic, relatively enduring beliefs and concepts desirable that provide general standards for assessing specific behaviours, actions and goals and the criteria for the assessment of what is good or bad, acceptable or unacceptable, and creating individual and group preferences (Bahtijarevic-Siber, Sikavica, 2001). Values provide the basic principles of organizing and integrating individual and group goals, prioritize and sort of hierarchy of needs and the importance of goals, satisfaction with the assessment, selection of the preferred lifestyle and general human and social behaviour. Can be individual, group, community and universal human values (Bahtijarevic-Siber, Sikavica, 2001). Values are fundamental beliefs that people have regarding the notion of good and evil, right and wrong, important and unimportant (Hodgetts,

Luthans & Doh, 2006). In general, the results show the diversity and similarity among the values of work and managerial values in diverse cultures. Culture is often shown by the model of culture that is reminiscent of concentric circles, the inner circle, which is the core of the basic assumptions that determine human behaviour; the middle represents the norms and values that are the foundation of society, while the outer part of an explicit artefacts and products of the company (Trompenaars, Hampden-Turner, 2008).

2.2. Cultural Diversity

There are many ways to examine cultural differences and their impact on international management. It also has a very significant impact on the people-the way they behave and think. Diversity exists both within and between cultures, yet within each culture may encourage the behaviour, while others hinder. Social norms are the most common and most widely accepted forms of behaviour (Adler, 2002). It should be noted that cultural orientation of a society describes the attitudes of most members of the society at a particular time, but never all the people all the time. Certain stereotypes reflect the social and cultural norms. Culture affects a large number of business activities, starting with a simple handshake (Hodgetts, Luthans & Doh, 2006).

Some cultures are similar to one another, while some are a completely different. Figure 1. clarifies that cultural diversity by comparing culture as a normal distribution. Equally, those parts that differ significantly, so called. cultural extremes, represents the basis for stereotyping, showing how Americans and French see each other through stereotypes (Ashton, 1984.).

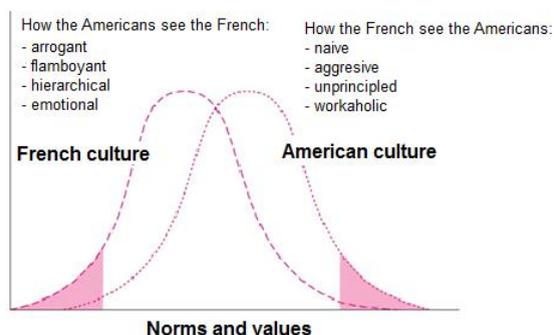


Fig. 1 Comparison of two different cultures; stereotypes as cultural extremes

Source: Trompenaars, F., Hampden-Turner, C., *Riding The Waves of Culture: Understanding Diversity in Global Business*, 2nd ed., McGraw Hill, London, 2008.

Stereotypes (Trompenaars, Hampden-Turner, 2008). are often exaggerate when describing members of other cultures, and therefore wishes to emphasize specificities, and the inability to communicate and collaborate. This is also a big reason why the understanding of national culture is so important for all those who to contact, work and / or cooperate with members of other cultural groups.

3. MODELS OF NATIONAL CULTURE

In the first half of twentieth century, social anthropologists developed the idea that all societies, face the same basic problems – only the answer to those problems differs from society to society. As an answer to this paradigm, social scientists attended to identify what problems are common to all societies (Inkels, Levisom, 1969). They suggested that the following issues qualify as common basic problems worldwide: a) relation to authority, b) conception of self, in particular the relationship between individual and society, and the individual's concept of masculinity and femininity; c) ways of dealing with conflicts, including the level of aggression and the expression of feelings. In order to facilitate cross-cultural and business behaviour, it is necessary to clearly systematize and classify all the difference, and to determine their causes and consequences. Clear understanding of culture to create a positive synergy between the operating performance of diverse cultures.

The three most commonly used models that will be discussed in the remainder of this paper are: (1) Hofstedeov model of cultural dimensions, (2) Trompenaarsov model of cultural dimensions, (3) GLOBE's model of cultural dimensions. All three models have the following basic common origin: values are stable element of culture and cultural differences-base cross-cultural research should be "measured" values, multidimensional cultural paradigm of society by Gert Hofstede (Hofstede,1980; 2001), and dimensions of culture in a variety of models, depending on the concept and structure of values against which they, their lesser and greater sophistication.

3.1. Hofstedes model

National culture have a great influence on the work values (Hofstede, 2001). Hofstede's dimensions of national culture, determined for 53 countries and regions of the world, led by the number of quotes and by importance in the field of cross-cultural management (Søndergaard, 1994). The basis of the model is the research conducted among employees of IBM on a sample of 60,000 workers in the period 1967.-1969. The inclusion of the results of other authors who have used an identical methodology produced a sample that includes 71 countries and three regions. The extension of the model with the original four-dimensional culture of the society got one extra dimension. Database eliminates the

differences that arise as the impact of corporate policies and procedures because of the impact of various strategies. Therefore any variation between countries can be reliably attributed to national culture. Hofstede also found that employees and managers vary according to the following dimensions of national culture: (1) power distance, (2) uncertainty avoidance, (3) individualism vs collectivism, (4) masculinity vs femininity, (5) long-term vs short-term orientation (in a later phase of the study) (Hofstede, 1980).

(1) Power distance represents the degree of inequality in the distribution of power within societies to be considered socially acceptable, and is derived from the fact that power in institutions and organizations is not evenly distributed (House et al., 2002). Societies with high power distance accept large differences in power within the organization. (2) Uncertainty avoidance dimension measures “the extent to which the members of a culture feel threatened by uncertain and unknown situations”. Uncertainty avoidance indicates the extent to which a society feels threatened by ambiguous situations and the extent to which a society tries to avoid these situations by adopting strict codes of behaviour, a belief in the absolute truths, establishing formal rules, and not tolerating deviant ideas and actions. Individuals with high uncertainty avoidance are concerned with security in life, feel a greater need for consensus and written rules, less likely to take risks while individuals in low uncertainty avoidance societies are less concerned with security, rules and they are more risk tolerant (Hofstede, 1980). (3) Dimensions of individualism refers to societies in which the ties between individuals and the poor of every individual is expected to look after themselves and their immediate families, while collectivism refers to societies in which people from birth include the strong cohesive groups that are protected throughout their life in exchange for unquestioning loyalty. It is noted that the degree of individualism in a country complies with the wealth of the country (Hofstede, 2001), and also countries with a high degree of individualism are more inclined to the Protestant ethic, individual initiative and progress to the market shift. Countries with low level of individualism are less prone to the Protestant ethic, show less individual initiative, while the progression of age-related / age. (4) Masculinity refers to a society in which one can clearly observe the social roles by gender (Hofstede, 2001). Femininity refers to a society in which gender roles overlap, and that of the women and men are expected to be humble, gentle, and focused on quality of life (Hofstede, G., Hofstede, J.G., 2005). Dimensions can be compared using a two-dimensional matrix. The integration of cultural factors in the two-dimensional image helps illustrate the complexity and understand the impact of culture on behaviour. But unfortunately, this matrix we cannot serve as a safe pattern of how it will behave the members of these cultural entities. The fact is that societies with high power distance should be less individualistic and vice versa, but the behaviour of individual members in such a multicultural environment due to the influence of other factors may differ significantly from the behaviour that imply Hofstede’s matrix. (5) The fifth dimension of long-term vs. short-term orientation was added later (Hofstede, Bond, 1984), and refers to the degree of orientation of the society, in the past, or the future. Long-term

orientation is characterized by the virtues of focusing on future rewards, in particular perseverance and thrift, while the short-term orientation focuses on the past and present, and is characterized by the expectation of quick results, high consumption and low savings (Hofstede, 2001).

3.2. Trompenaars model

Trompenaars model is based on two rounds of the survey, which together comprise more than 45,000 managers in 50 countries. The results and conclusions of his research are seven bipolar dimensions (Trompenaars, Hampden-Turner, 2008): (1) Universalism is the belief that ideas and practices can be applied everywhere without further modification. Particularism, on the other hand, represents the belief that circumstances dictate how ideas and practices should be applied. (2) Individualism refers to people seeing them as separate individuals, while communitarianism refers to people in the sense that they see themselves as members of the group (3) A neutral culture is a culture in which it is expected refrains from expressing emotion. Members of neutral cultures trying not to show feelings. Emotional cultures are those in which emotions are expressed openly and naturally. (4) Specific cultures are those in which individuals have a large social space and readily allow others to enter into it, and share it with them, and a small private space for yourself and keep your good friends. Diffuse cultures are those in which the private and the social space of the same size, and individuals preserve their social space carefully, because entry into the social space and the means to enter into a private space. Dimensions clearly define the relationship between the private and business. (5) Culture achieved the status characterizes access to people on the basis of how well they do their job. Culture is characterized by an attributed status lecture individuals on the basis of the status of what or who that person is. Thus, the culture of high status attributed to assess the long-in the company or have a high-ranking friends while the culture reached the status of respect capable individuals, regardless of age and sex relationship. (6) Cultural dimension of internal routing refers to the relationship with the environment. Internal guidance emphasizes that what is happening to somebody a result of his activities, while external orientation emphasizes the force beyond our control. (7) Sequential access refers to the orientation on just one activity, firm adherence to time agreements, and showing clear preference for planning. Synchronously notion of time involves dealing with more things than one, agree with that about the time and can change in the blink of an eye, and schedules are changed according to the relations.

3.3. GLOBE's model

GLOBE (Global Leadership and Organizational Behaviour Effectiveness Research Program) model of cultural dimensions is the result of many years of work 170 scientists and management students from 61 countries (House et al,

2002; Hofstede, 2006). Researchers dispersed throughout the world were exploring the relationship between the culture of society, organizational culture and organizational leadership. The first six dimensions rely on Hofstede dimensions, but many believe that GLOBE's model because of its width provides a more solid basis for understanding the cultural diversity of the previous two models. GLOBE's model includes the following dimensions (House et al, 1999): (1) assertiveness-the degree to which society promotes and encourages people to be ruthless, confronting and competitive in social interaction, (2) focus on the future-the degree to which society encourages individuals and organizations to focus on future behaviour (e.g., planning, savings, investments), (3) sexual differentiation-the degree to which society minimizes gender differences (differences in the roles of men and women), (4) uncertainty avoidance-the degree to which members of an organization or society strive to avoid uncertainty by relying on social norms, rituals, bureaucratic practices in order to mitigate the uncertainty of future events, (5) power distance-the degree to which the members of the company or organization agree that power should be unequally distributed, (6) institutional collectivism-the degree to which organizational and social institutions encourage and reward collective distribution of resources and collective action, (7) within-group-collectivism reflects the degree to which individuals are proud of belonging, loyalty and cohesiveness in their organizations, families and groups, (8) focus on results-refers to the degree to which the Society and its members encourage organizations to increase efficiency and focus on the result, (9) humanistic orientation-indicates the degree to which society and organizations encourage and reward their members to be fair, altruistic, friendly, generous and caring.

4. MANAGING CULTURAL DIVERSITY

Awareness of the existence of cultural similarity and diversity becomes increasingly important for successful operations of multinational companies, as they are becoming transnational. In doing so, managers must be aware that when doing business outside their country of domicile that same way of doing business cannot be transferred to another country to "copy-paste" method. There is a lot of evidence showing that through reconciling differences effective business can be created. The important is to identify the behaviour that varies across the different cultures within the organisation. By doing this, management would be able to guide the people side of reconciling any kind of values (Hofstede, G., Hofstede, J.G., 2005). It shows a tendency to share understanding of the other's position in the expectation of reciprocity and requires a new way of thinking (Trompenaars, Woolliams, 2004).

Cultural diversity has a real impact on the operation and behaviour within organizations. In many cases, people are recognizing cultural diversity associated with negative aspects such as racism, sexism, ethnocentrism and professionalism. It should be noted that the recognition of cultural diversity is not

the same as judging people based on their cultural background, it only represents the awareness of difference. Neither one cultural group is successful or unsuccessful, and only because of the element of culture. Judgments about cultural diversity as an a priori good or bad leads to inappropriate, racist, sexist and ethnocentric attitudes and behaviors. On the other hand, awareness of the difference has the opposite effect. Cultural blindness limits the ability of "profiting" from the diversity, it is a perceptual and conceptual; we do not see and do not want to see the difference. The literature often reports the following types of strategies for managing cultural diversity (Adler, 2002): (1) Ignoring cultural diversity- managers do not recognize cultural diversity and their impact on the organization. This strategy is very often used in parochialisation (Hofstede, 2001)). Therefore, they do not see and do not want to see any impact of cultural diversity on the management and organization, and cultural diversity is considered irrelevant. This strategy excludes effectively manage cultural diversity and preclude the possibility of minimizing the negative impact and increase the positive impact of cultural diversity. (2) Minimization of cultural diversity- this strategy is often adopted in ethnocentric organizations. Managers recognize cultural diversity, but only as a source of (potential) problems. In ethnocentric countries managers of organizations believe that their way of operation and management "best", the other modes are considered inferior. Diversity has been reduced in a way to minimize the differences, while the benefits that derive from it are not taken into account. (3) Organizations that adopt a management strategy cultural diversity is synergistic organization. This type of organization understands the impact of cultural diversity that includes their advantages and disadvantages. Accepting synergistic approach, managers and employees reduce potential problems in a way to manage the impact of cultural diversity, and not in a way to reduce the very diversity. Organizations that use diversity management strategy, train its managers and employees that they can recognize and take advantage of cultural diversity in a way that they become an advantage for their organization.

5. CULTURE AND MANAGEMENT PRACTICE

The impact of national culture on international business affects the core functions in human resources management, marketing and finances, corporate strategies, organisational structures and business ethics. Differences in national culture are reflected in business decisions. Improving the alignment or congruence between management practices and cultural contexts yields tangible business benefits (Ghemawat, Reiche, 2001 cited from Newman, Nollen, 1996)):

- a) Participative management can improve profitability in low power distance cultures but worsen it in high power distance cultures;
- b) Quick fixes can improve profitability in more short-term oriented cultures but worsen it in more long-term oriented cultures;
- c) Merit-based pay and promotion policies can improve profitability in more masculine cultures and reduce it in more feminine cultures;

d) Emphasizing individual contributions can improve profitability in more individualistic cultures and worsen it in more collectivistic cultures.

To understand connection between culture and managerial practice, it is important to understand cultural explanation for differences – their cultural roots, as management practice represents only the top of the iceberg. With cultural maps (Hofstede, G., Hofstede, J.G., 2005). it is possible to create country profile as a reminder that managers in different countries tend to have preferences for way of organizing (Schneider, Barsoux, 2003).

5.1. Culture and organization

When talking about influence of national culture of organization, the attitude toward it is bipolar - the culture free (etic) approach is connected to the argument that structure is determinate by organizational features, and the other that argues that the social context creates differences in structure in different countries (emic) (Hofstede, 2001). In order to understand cultural differences, pairs of cultural dimensions will be compared in order to get better perspective regarding business behaviour. Cultural maps are highly helpful to the managers to overcome cultural shock and to understand differences, but being sure how somebody will behave, we need to know countries and their customs little bit better. Policies and procedures are also culturally rooted.

5.2. Culture and strategy

In developing and implementing strategy, organizations need to assess their external environments and their internal capabilities. Managers making strategic decisions often find themselves confronted with socio-political environment, structured problems or environmental uncertainty (Isada, 2010). And they react according to their subjected reality. Managers from different countries have different assumptions who should take the consequences or take the control. Cultural roots affects what kind of information should one consider important, what models are used to analyse that information, who should be involved and what strategic decision are taken (Ojsalo, 2010).

5.3. Culture and human resources management

For international companies going globally, it is important to choose human resource strategy that is able to support its strategy. Cultural roots are very important for selection, socialization, training compensation and reward system, performance appraisal and career development system (Nistor, R., Nistor, C., Muntean, 2010). There is the lack of adequate theory to explain the complexity of differences between the menaning, policies and practice of HRM in different countries, but three groups of theories give really good contribution to that area

(first one focusing on differences, second one predicts that the strong logic of global capitalism is leading to similar approaches at the organizational level and the third one is the world polity approach) (Harzing, Pinnington, 2014).

6. CONCLUSION

Understanding and accepting national culture with its values, beliefs, attitudes and forms of behaviour is a prerequisite for the success in the modern business environment. Nowadays, business does not recognise the boundaries between the countries, and expects us to embrace and utilize all types of competitive advantages that the modern environment brings. Cultural differences are constant and persistent, and they present a bunch of challenges especially for multinational companies. Companies that manage adaptation effectively are able to achieve advantages in the various cultures where they operate while extending their main sources of advantage across borders, and in some cases even making cultural diversity itself a source of advantage. Although, this emphasizes cultural differences, which are often underappreciated, it's equally important to take care of cultural similarities. In managing adaptation, there's also a great deal to be gained by focusing on what unites us rather than what divides us. Culture and cultural diversity can be both an asset and a liability. Managers must be able to tie the issue of managing cultural diversity to the need of business and be skilful in business issues, goals and results.

The impact of national cultures in international companies goes beyond management style – it influences other business functions and organizational parts of companies.

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