CULTURAL BARRIERS FOR MANAGERS OF MULTINATIONAL COMPANIES

Case Exin Group Ltd

Bachelor’s thesis

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Morea Ibrahimaj
ABSTRACT

Nowadays, globalization is one of the most popular terms in economics. Even though very few people can define what globalization really means, this phenomenon has become a reality which influences people’s daily lives, and has resulted in many discussions over its negative and positive effects. Most importantly, globalization has sensitized people to the variety of cultures around the world and the impact they have on multinational companies.

The purpose of this research study is to provide the necessary information for managers who want to succeed as global managers and to give an insight on how managers, from different management levels, are currently prepared for foreign assignments. The commissioning company of the study, Exin Group Ltd, has had extensive experience with trade in foreign markets, but faces cultural issues due to the vast differences between all the markets where they are operative. Exin Group is based in Kosovo, but it also has units in Albania, Hong Kong, and New York.

The study consists of several parts. Firstly, the author investigates and evaluates the influence globalization has on businesses in general, and the relationships between managers and subordinates. That was followed by thorough analyses of Germany (Exin Group’s supplier’s home country), Hong Kong, New York (United States of America), and Albania. Finally, the data and findings have been presented, from which the author was able to draw the necessary information to propose recommendations for the company in question.

Keywords

International management; human resources; globalization; cultural intelligence.
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1 INTRODUCTION

With the rise of globalization, the words “multinational company” aren’t synonymous with “big organization” anymore. Companies of all sizes have started to enter global markets, for many different reasons. The process of expanding globally has become much easier with the lowered costs of cross-borders communication and reduced trade barriers (Radcliffe 2018).

While large corporations and conglomerates are the biggest drivers of global value chains, small and medium enterprises (herein after referred to as SMEs) are credited with providing employment for two-thirds of the population in the Organization for Economic Co-operation and Development (herein after referred to as OECD), and they are responsible for over 50% of the activity in the OECD (Organisation for Economic Co-operation and Development 2017).

This research study was written in cooperation with Exin Group Ltd, an SME headquartered in Pristina, Kosovo. The company also has branches in Albania, Hong Kong and New York. They are one of the many SMEs that have come to the conclusion that expanding to international markets was favorable to the business. Going global has become very common amongst small businesses. In 2016, a study found that over 50% of small businesses in the United States of America (hereinafter referred to as U.S.A.) have reported having suppliers and customers outside of the country (USForex 2016). Due to this spike in the globalization trend, companies have suppliers and buyers from various cultures, which serves as an incentive to hire people from diverse backgrounds and cultures.

Human Resource Management (hereinafter referred to as HRM) plays a pivotal role in an organization’s process of going global. The department has many different functions in a company, especially in a multinational one. Their tasks range from recruitment and training, to helping employees communicate effectively across borders; this is a vital part of successful business integration into a new market. A big part of effective communication with people from different backgrounds depends on cultural intelligence, which is why international companies have started to allocate more resources to cultural training and cultural awareness.

Cultural intelligence can be defined, in simple terms, as one’s ability to effectively function – i.e. live, socialize, work, stay motivated – in a culturally diverse setting, in addition to being able to lead people from other cultural backgrounds. As for culturally intelligent managers, they

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1 Global Value Chains (GVC) include all the people and activities required for the production of a good or service. The different stages of production take place in various countries, thus it’s often referred to as the “international fragmentation of production”.

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need to be able to understand, motivate, and manage people and projects, regardless of the cultural setting. (Livermore 2015, 30-34.)

Several scholars of cross-cultural communication have contributed to this by creating cultural models that have helped both businesses and individuals systemize cultures and better understand them. In the case of businesses and managers, these models are particularly helpful when they expand to new markets. Although some companies may choose not to hire local employees, knowing these cultural models (also known as cultural dimensions) helps managers considerably – even when it comes to marketing the product or service to the new customer base.

This research study aims to analyze all of the factors mentioned above – globalization, HRM, cultural intelligence, cultural dimensions – and elucidate how they affect companies when expanding to foreign markets. Furthermore, several managers of various rankings have been surveyed. This quantitative research aims to realistically demonstrate how informed and prepared these managers are, in regards to working in international teams, global markets, and various cultures. The study was conducted in liaison with Exin Group Limited, with the purpose of improving their operations on foreign markets, in reference to cultural barriers. Thorough analyses of the company’s supplier’s and buyers’ markets will be conducted in chapters to follow.

1.1 Company background information

The commissioning company for this thesis is Exin Group Limited. Exin Group is based in Prishtinë, Kosovo. They are a wholesaling company which imports their products mainly from Germany, but also from the United Kingdom and France, and distributes them throughout the territories of Kosovo and, as of recent, Albania. Moreover, the company has also been operational in Hong Kong, and is to start operations in New York soon. Their specialty are baby products such as baby bottles, Sippy cups, pacifiers, baby shampoos etc. They began their operations in 2001, and have effectively continued to operate until now.

The company has a well-established market in Kosovo, where they sell a wide range of products to approximately 500 pharmacies and 200 supermarkets. Their operations in Albania, however, have only recently begun. Even though the Albanian territory has many more pharmacies and supermarkets than Kosovo does, the firm’s presence in Albanian territory is significantly smaller, with a customer base consisting of approximately 400 pharmacies and around 50 supermarkets. Much of this can be attributed to a vastly different business culture from the one in Kosovo.
Exin Group has also been operational in Hong Kong for a few years, with a widespread distribution to multiple pharmacies and supermarkets. The main aim of the Hong Kong venture was to expand to Mainland China, however, the suppliers of the product gave the distribution rights to another company, effectively stopping Exin Group from being able to expand to Mainland China. Due to this, their operations in Hong Kong are currently on hold.

Furthermore, Exin Group is a registered business in the state of New York, U.S.A. The company has yet to launch products in New York pharmacies and supermarkets, as they are currently in the process of product standardization.

1.2 Background to the study

Since it is clear that human capital has become the main tool for gaining a competitive advantage on today’s innovation-driven global market, people – their needs, motivation, satisfaction, and general cultural backgrounds – take a central interest for companies. The individual needs and factors which stimulate employees intellectually are the object of many studies and analyses from which many motivation theories have been developed. Individual complexity excludes the possibility of having only one universal motivational theory implemented, as not all people can be motivated in the same way. Factors such as the organization, the environment, culture etc., are central when it comes to motivating employees. A human being is a complex physiological system which demands a lot of instruments for increasing its motivation. Virtually all employees want to feel good about what they are doing – a phenomenon commonly referred to as “employee satisfaction”. According to Dell (1993), employee satisfaction can be divided on five separate levels, which have been originally been put forth by renown psychologist Abraham Maslow. The so-called hierarchy of needs is a theory which is utilized by businesses to increase employee satisfaction, thus directly affecting their motivation positively.

For managers, it is also necessary to understand the complexity of employees as individuals, as well as the circumstances they are surrounded with. Managers must design reward and motivation systems, the structures of which depend on how complex or simple of a system they intend to develop, and on whether they prefer the main system to be based on collective or individual factors.

There are many motivation techniques that managers may use, but in principle they are divided as material and non-material ones. Material compensations represent the fundamental necessities of motivation, but they alone are not sufficient. This is because for most people, needs such as achievement, respect, autonomy, status, recognition etc. become more important. That was also the reason why many non-material strategies for motivation were developed; they include management by
objectives, employee recognition, employee involvement, job redesign etc. Furthermore, these means of motivation within an organization need to take into consideration the backgrounds of the employees. Because of the various nationalities which may be present in a company, managers need to take into account what drives a specific culture. For some, it may simply be financial compensation, whereas other cultures may find appraisal and appreciation of their work much more motivating. (Sorauren 2000, 925.)

Companies which have accepted the fact that people are the key factors for companies’ success operate much more efficiently than those which have a poor management that does not acknowledge the importance of human capital and motivation techniques yet. Specialization and employee trainings, a pleasant and positive work environment within the company, and a fair rewarding system are elements that need to be implemented in order to make a favorable motivation basis for every employee.

All of these factors are even more important when a company intends to expand globally. Exin Group Ltd, the commissioning company, intends to soon start operations in New York, U.S.A., however, such an endeavor can be futile if the managers aren’t prepared to enter a foreign market. The purpose of this research study is to thoroughly map out the cultural issues that Exin Group may face when entering the new market. Moreover, it aims to clarify how the company can improve their strategies in Hong Kong, New York, and Albania, in order to better suit the respective cultures of the countries, and their business environments.

Therefore, managers must be informed not only in the management field and motivation theories, but also in the fields of organization and psychology. They need to be very well informed on the cultural differences they will face when working in different countries, not only amongst their own employees, but also when dealing with other businesses, partners, governments etc. Hong Kong’s business environment, for instance, is considerably different from the one in Albania. The differences aren’t limited to just legalities, but also the de facto systems that may be present in the business environment. In China, a lot of business operations are largely dependent on the business culture. There are many aspects of their business world that Westerners wouldn’t be able to comprehend, e.g. the notion of guanxi², which is why Western businesses, such as Exin Group, need to be well-versed in doing business abroad. (Stewart 2017.)

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² Guanxi is a Chinese notion which refers to a person’s own “network” or “connections”. The more guanxi one has, the easier it is for a business to facilitate deals, or get things done.
1.2.1 Research question

The research question that the author aims to answer is “How can Exin Group Ltd improve management in Albania, Hong Kong, and New York, and overcome the cultural barriers?”

Upon informally interviewing the founder and CEO of Exin Group, the author realized that many management problems in non-domestic markets stem from deep cultural differences in business processes. This can especially be observed in the Albanian market, where the cultural differences interfere not only with day-to-day internal business operations, but also much broader problems – such as the deep-rooted culture of corruption which is present in the Albanian business environment – may surface and impede Exin Group’s processes.

The all-important matter of achieving cultural awareness in a company represents one of the most important issues when it comes to managing a global business or working with global teams. It may often seem that, when assigned a foreign project, it is sufficient to read about the culture and mentality of the country they are doing business in. While it does help tremendously to be theoretically prepared about the cultural differences, in reality there will always be aspects of it that cannot be learned through a book or documentary. Learning how to successfully manage a business on a global market is a continuous process, a rather challenging one.

Therefore, in this report the author intends to thoroughly analyze the situation of Exin Group in the Albanian market and to offer solutions for the cultural barriers hindering the business form prospering further. Potential cultural barriers in Hong Kong and New York will also be explored. The latter will serve as a basis for the company, once they (re)start operations in Hong Kong and New York.

1.2.2 Research aims and objectives

The research study was undertaken to investigate how global managers’ behavior can influence the working environment, and to elaborate on how managers can build beneficial relationships with people from diverse cultures. Firstly, the intent is to investigate the current case of cultural misunderstanding that Exin Group has been confronted with in Albania. Then, the author will look to potential scenarios that Exin Group managers may need to be aware of when doing business in Hong Kong and New York.

The focus of the report is particularly on cultural issues and on adjusting to different environments when going global, as well as minimizing cultural clashes. The following specific research objectives of this paper have been set:
to investigate and evaluate the impact of globalization on cultural awareness;
- to understand, compare and analyze different cultures, with an emphasis on Exin Group’s main business partners’ home countries;
- to identify organizational behavior that has to be optimized or changed;
- to have an impact on the future success of Exin Group’s expansion to international markets.

The outcomes of these research objectives are thoroughly discussed in the form of recommendations and suggestions for global managers on how to avoid the cultural clashes and to adopt new practices in achieving goals in a multicultural environment.

1.3 Research methodology

For this study, a multi-method approach was used. It consists of primary and secondary data. The predominant research method for the paper was secondary data, collected from a variety of online sources, books, scientific journals, news sources etc. Another method used in the paper was the survey questionnaire (primary data), collected from 16 managers of various rankings and backgrounds.

The first task was to formulate a model questionnaire and then make adjustments to it in later stages of the research. Most of the questionnaires were sent out by e-mail. The responses were collected, analyzed and incorporated into the various sections of this paper. Finally, natural observation, that is, observing behavior as it takes places in the environment, was also done.

1.4 Structure of the study

Following the introduction where the topic and lay-out of the research study is established, and the research question and objectives that this paper attempts to solve are identified and listed, chapter two outlines the relevant theoretical framework of the topic in order to provide the necessary background information. This includes, but is not limited to:

- Globalization and its effect on multinational businesses
- Managing people across cultures
- Human Resource Management’s role in overcoming the cultural barriers in multinational companies
- Cultural Intelligence
- Cultural models and dimensions which are relevant to the countries analyzed (Exin Group’s supplier’s and buyers’ countries)
Data findings and analysis are done in chapter three. The survey results are observed and summarized, bringing together the main issues that are identified regarding the topic and research question. This section of the study aims to understand and interpret the data collected from several managers, not only from Exin Group, but also from other companies in the region.

Finally, chapter four concludes the study. Drawing from chapters previous, the final chapter has recommendations and suggestions for Exin Group. The recommendations are meant to aid Exin Group in expanding to new markets, as far as culture differences go.
2 LITERATURE REVIEW

2.1 Going global

When it comes to globalization and multinational companies (herein after referred to as MNCs), it is difficult to pinpoint which came first: did MNCs bring globalization or did globalization enable the development and rapid growth of MNCs? It depends on the source. In either case, the two are tightly intertwined and somewhat interdependent.

Going global is a big step for companies, regardless of size or wealth. There is a great amount of planning and organizing involved, and a lot of the burden falls on managers. This is because, when going global, managers need to be thoroughly prepared for dealing with employees that come from various backgrounds. Moreover, they need to be well informed on the business environment in the foreign market, legal system, and requirements for businesses.

2.1.1 Introduction to globalization

Many scholars claim that globalization is a process which originated even in the B.C. ages. Thomas Friedman (2000, 17-21) for example, divided the process of globalization into three separate stages, where the first stage (1492-1800) consisted of the globalization of states, the second stage (1800-2000) was the globalization of companies, and the third stage of globalization (2000-present) will be the globalization of individuals. From that standpoint, there are many occurrences in history which can be credited as the pioneers of globalization, such as the Silk Road, the Industrial Revolution, the Columbian Exchange and so forth.

However, this view has been challenged by others, claiming that a prolongation of the globalization process back to archaic times renders it useless for economic and political analysis (Conversi 2010). If considering it solely from the modern era, the process of globalization began when industrialization was in full force; when a country’s level of manufacturing technology, railroads, steamships etc. determined their superiority globally. While at first industrialization was contained within Great Britain, eventually, the movement spread to other countries in the 19th century, and with it, globalization began. (Butler 2007.)

The constant technological development has had a considerable influence on the decrease of transportation and communication costs. Many international standards of production, transportation and payment systems are being adopted. Within the GATT framework, non-tariff
barriers to trade (herein after referred to as NTBs) are eliminated and customs duties protection are reduced. (Deardorff 2012.)

All of these factors lead to the conclusion that businesses will turn to low-cost country sourcing (LCCS), meaning that they will move production to countries where labor and production activities are much cheaper than in high-cost countries (HCC), such as the UK, US, Australia, Western Europe etc. (GEP 2017). This phenomenon affects E7\(^3\) countries positively, whereas the more developed ones, i.e. the G7\(^4\), are expected to have lower growth rates. Underdeveloped countries are generally more dependable on international trade than big countries are, thus every change in the world economy can have a significant impact on the economy of an underdeveloped country.

According to a research conducted by A.T. Kearney and Foreign Policy magazine, the countries that tend to have a higher globalization score are the smaller, richer and more stable ones. This can be noted due to the fact that Singapore remained at the top of the list for four consecutive years. (Foreign Policy 2007.) The research involved an index of 72 countries, and 12 different means of measuring globalization scores, which were grouped into either of the following “baskets”:

- economic integration,
- political engagement,
- technological connectivity,
- personal contact.

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\(^3\) E7 is short for “Emerging Seven”, referring to the seven fastest emerging economies: China, India, Brazil, Mexico, Russia, Indonesia and Turkey.

\(^4\) G7 refers to the “Group of Seven” countries which have the greatest economies in the world: France, Canada, Japan, Italy, the United Kingdom, Germany, and the United States of America.
For countries in transition, globalization is an additional challenge; there is no dilemma whether to be included in that process or not, the question is what the best way for them to get involved is.

It is difficult to systemize globalization as positive or negative. Positive aspects of globalization are in its attempts to link the world through information technology into one unit. Economic welfare, social interconnection, political freedom are also some of its positive aspects. In general, it can be concluded that the most important positive influence that globalization has had, has been development. But, as a consequence of that speedy development comes unemployment, poverty, concentration of power etc. Other negative aspects are the risks of globalization which are: terrorism, fundamentalism, organized crime, illegal migration, money laundering, ecological problems, social injustice and other similar issues. (Collins 2015.)
2.1.2 The globalization bearers

Many factors can be accredited with bringing about globalization, including, but not limited to, the emergence of the internet, improved means of transportation, containerization\(^5\), reduction of trade barriers (both tariff and non-tariff) etc.

Nevertheless, when considering globalization from a solely economic standpoint, one can argue that the main bearers are MNCs. They continue to be an important factor of the world’s economic processes. Their effect on global integration is evident; MNCs are considered the main bearers of globalization, as they open subsidiaries, selling points and production facilities in different parts of the world. These enterprises are usually minimally inhibited by trade barriers, because of their positive effects on countries’ economies.

To be able to fully comprehend the size of these organizations, the table below gives a comparison between the corporations’ revenue and the selected countries’ Gross Domestic Products (herein after referred to as GDP) (Global Policy 2010).

<table>
<thead>
<tr>
<th>Company/Country</th>
<th>Revenue/GDP ($ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>414</td>
</tr>
<tr>
<td>Walmart</td>
<td>408</td>
</tr>
<tr>
<td>Peru</td>
<td>154</td>
</tr>
<tr>
<td>Bank of America Corp.</td>
<td>150</td>
</tr>
<tr>
<td>Ukraine</td>
<td>138</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>123</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>100</td>
</tr>
<tr>
<td>International Business Machines (IBM)</td>
<td>96</td>
</tr>
<tr>
<td>Iraq</td>
<td>82</td>
</tr>
<tr>
<td>Proctor &amp; Gamble</td>
<td>80</td>
</tr>
</tbody>
</table>

*Table 1 Comparison of corporations’ revenue with the GDP of selected countries*

As can be seen on the table above, many of these international MNCs have revenues far higher than some countries’ GDPs. Because of their high gains, a lot of countries are willing to lower their entry barriers for them; the investments are usually large depending on the size of the company, they create wealth and jobs for the host countries, or there’s a lot of tax revenue involved.

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\(^5\) Containerization, the process of transporting goods internationally by means of loading them in standardized containers, is accredited with a 790% rise in bilateral trade in the first 20 years after its invention (Bernhofen, El-Sahli, & Kneller 2013, 18).
2.1.3 Globalization vs. Localization

Ever company that goes global has to quickly adapt to new ways of doing business, and to an unfamiliar environment, since all countries have different means of conducting business, different values and belief systems – simply put, different cultures. For example, if a Japanese company expands their operations somewhere in Europe, the environment inside the organization will change substantially. While the company may choose to send their own employees abroad, and not hire locally, external business dealings will still be very different from their domestic practices. Employees will have to learn the ways in which things are done in the new environment that they have come into.

Work practices anywhere depend greatly on the cultural background of the people employed. Communication, social organizations, business organizations, language – all of these factors determine and influence how a business will operate in foreign countries. It is difficult, or rather impossible, to bring in Japanese ideas and implement them anywhere in Europe or America, without taking into account how the local culture works. This means that a Japanese company will have to bring in the best practice, the best ideas, the best philosophies they can from Japan, but they will have to combine them with the best philosophies, and the best ideas, and the best practices that are available in Europe, or wherever they are expanding to.

There is a famous slogan: “Think globally, act locally.” This strategy is referred to as “glocalization”, a portmanteau of the words localization and globalization. It can be used to refer to a variety of things, but in the business context it entails the standardization of marketing strategies across different countries and cultures, but flexibility when it comes to adapting some components of the strategy to the local conditions. (Blatter 2013.)

As the process of adoption can take quite a lot of time, many multinational companies choose to have local managers. These managers need to quickly get familiar and identify with the organizational culture of the company, while also including components of the local culture of the subsidiary (Reade 2001). Many international companies must realize that it is nearly impossible to move into the country and build up an effective manufacturing plant or facility without any detailed understanding of how that country works. There is a lot of additional information on the local conditions that need to be taken into account, information that may take a lot longer to learn for foreigners. It is standard practice throughout the world to try and become as localized as possible, because the more

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6 The term “localization” can refer to either production localization or marketing localization. In this paper, the author will only use the term in reference to marketing localization, not production localization.
localized a company is, the more effective they will be in accessing the target market. Therefore, a preferred strategy is to combine certain aspects of globalizing, with localizing, in order to get the best results on a foreign market.

2.2 Managing people across cultures

One of the most important considerations for companies that go global is employee management. Whether they hire locally, or transfer employees to foreign countries, they have to take the necessary steps to be able to manage the human resources efficiently, and provide proper motivation for them. In the case of a company that hires locally, the new employees will need time to adjust to the foreign organization, and to learn their business practices. On the other hand, if the company assigns their domestic employees to a foreign project, the assignees need to be informed about the new country they are transferring to, and trained in conducting business there. While the legalities, i.e. rules of business, tax laws etc., may be extensive, they are one of the easier things to learn, as they are not abstract. Culture on the other hand, is a much harder aspect of a foreign assignment. Management needs to be willing to aid their employees in learning how to behave in the new setting.

2.2.1 Human Resource Management’s role in multinational companies

Virtually no companies – large, small or medium sized – can escape the effects of globalization on the economy. In turn, globalization has had an impact on practically every industry there is, in various ways. Companies that go global are constantly faced with the ever-growing list of challenges that global competition brings about. Competition on the international market puts pressure on companies to increase productivity amongst employees. While the Human Resources Management department used to mainly be in charge of firing and hiring people, their job description has evolved to include a much broader spectrum of duties. Due to this, many Human Resources (hereinafter referred to as HR) professionals are focusing increasingly on finding improved means of supporting global businesses. (Morgan 2017.)

HRM is the practice of managing an organization’s human capital. This specific discipline of management is primarily focused on maximizing employee performance and productivity. Human resource managers are often responsible for recruiting new employees, discharging employees, designing employee-benefits schemes, performance evaluations etc. HRM can be divided in four varying functions (Human Resource Management Practice n.d.):

- Staffing:
Staffing managers are in charge of selecting potential employees, recruiting, networking, reviewing applications and conducting interviews.

- Training and development:
  This is a continuous process of training employees, and developing competency amongst employees.

- Motivation:
  The function of motivation in HRM is seen as particularly important when it comes to keeping productivity levels high amongst employees. It is usually implemented through employee benefits, performance appraisals and various rewards systems.

- Maintenance:
  This function pertains to keeping employees loyal and committed to the organization.

In themselves, these objectives require a considerable amount of collective effort from HR managers. However, many HR departments also deal with mergers and acquisitions, mobility management, and even serve as a support function in minimizing risk and reducing costs of an organization.

When companies go global, the HR department is the key element in helping employees communicate across borders and cultures. Its importance when it comes to conducting business in international settings and succeeding as a multinational company has been acknowledged by many scholars over the years. (Poole 1990; Bartlett & Ghoshal 1994; Scullion 2005; Adler 2008.)

2.2.2 Managing people

Managing people is one of the most complex functions of management. Its purpose is to have an impact on employees, and therefore enable them to better contribute to a common goal of the company. While the end-results are of utmost importance to the company, it is also crucial that managers keep in mind the individuals, and their needs and preferences. People should be treated with respect, regardless of their position in the company, as all of them contribute towards the realization of a company’s common goals. The wanted results can be reached only by properly motivated people. Therefore, a manager’s task is to find out the right ways and techniques to stimulate their associates and employees. Moreover, managers should also be prepared to manage conflicts that could occur. Managing and leading are the two art forms of
knowing how to affect people just right, and have them work steadily and intensively for the company. (Weiss 2014.)

If a company wants an employee to work hard and be committed to reaching goals, they should take care of the individuals, recognize and respect their dignity, ensure their safety and enable their personal growth and professional development.

The basic question which all company managers should be able to answer is how they can help develop the employees’ skills in order for them to be better equipped to reach the demanding market objectives. Increasing and developing an entrepreneurial affinity with every employee represents one of the key elements in human resource management if a company wants to be successful on a market, especially on a foreign one. Research shows that only constant investments in education and professional development in human resources, combined with investment in new production technology, can ensure long term success and competitiveness of a company on the domestic and global market (Chandler & McEvoy 2000).

The role of a manager is not the manipulation of their co-workers, but rather recognizing the motivational factors that drive them. Employees will gladly follow those managers who ensure the satisfaction of their own needs and aims. The ability to successfully implement the needed motivational methods, is what distinguishes great managers from ordinary ones.

Of course, financial compensation – salary, bonuses etc. – is one of the best motivational factors for employees. However, the other important motivation technique is employee involvement. “It encompasses such popular ideas as employee participation or participative management, workplace democracy, empowerment, and employee ownership” (Robbins 2001, 154).

The quality of the working environment is one of the most interesting approaches to motivation. However, in order to increase an employee’s motivation, a job should be enriched with a feeling of interest and ambition by giving them more freedom in decision making, by reshaping jobs, stimulating employee involvement and communication between them, creating the feelings of responsibility for a performance, giving the employees an insight about how their individual work has contributed to the realization of the company’s objectives, giving them feedback about their achievements, and also involving the employees in changing their working environment.
2.2.3 What is culture?

“Culture is a thin but very important veneer that you must be careful not to scratch. People from different cultures are basically the same and respond in the same way. However, make sure that you understand their basic customs and show an interest and willingness to learn the differences between your cultures.” – Mike Wills (Suerek 2014, 152.)

As Christopher Earley and Elaine Mosakowski (2004) wrote in the Harvard Business Review, even an insect as lowly and irrelevant as a grasshopper can demonstrate the vast differences of various cultures around the world: In U.S.A., grasshoppers are a pest; in China, a pet; in Thailand, an appetizer. Scientists have deciphered all there is to know about the grasshopper more than 200 years ago, but culture has such a strong hold on people’s psyche and behavior, that it affects even our perception of a mere grasshopper.

However, it is worth noting that – while in 2004 it may not have been common practice to eat insects – the idea of eating insects is becoming increasingly normalized around the world, as nutritionists have discovered that they are full of protein and other essential vitamins (Kielburger & Kielburger 2016). It just goes to show the toll that globalization has taken on culture, and how cultural norms are becoming increasingly intertwined around the world.

Due to the ambiguity of the term, there is a plethora of definitions for culture. Many different experts and academics have used different ways to describe it, and different parameters to measure it. Most commonly, culture is understood as “the ideas, customs, and social behavior of a particular people or society” (Oxford Dictionaries n.d.). The concept is central to anthropology, as it is illustrative of many societies’ traits and behavior. Nevertheless, understanding culture is vital to many other disciplines, not only anthropology. Regardless of the field one may be working in, when dealing with people who come from a different background, it is crucial to understand where they are coming from to be able to effectively work and communicate with each other. It is common practice for multicultural organizations to have orientation and training days dedicated solely to understanding and respecting others’ cultures.

2.2.4 Coping with different cultures

Companies which are involved in global business come in contact with many other companies from various countries, and with various values. In doing so, the companies are faced with different cultures, on different levels. Firstly, a company faces a national culture of the country where a certain business partner comes from. Therefore, it needs to get an insight on their national culture and get acquainted with cultural features, norms and values of that country, or market. Secondly, a company faces a business culture of a foreign partner, which means that it has to cope
with different business customs, that is, different ways of conducting business, means of negotiations, understanding financial discipline, communication methods etc. The next level is organizational culture, which is specific to every individual company. The last level is personal culture of a business partner, for example, fulfilling an obligation, punctuality, accuracy etc.

Knowing the culture of different consumers is therefore a requirement for successful and effective international businesses. Cultural differences are very important and should be respected as such, and not ignored. While to many cultures, it may seem like a trivial thing to understand about their business partners, successful global organizations have recognized its importance.

2.3 Cultural intelligence

Cultural intelligence is a concept which was developed by psychologists Christopher Earley and Elaine Mosakowski and published in 2004 in Harvard Business Review magazine. Cultural intelligence can be defined as one’s ability of adopting, withstanding and functioning within different cultures. According to Earley and Mosakowski (2004), there are three sources of cultural intelligence:

- Cognitive ability (head), which represents learning about different customs, beliefs and other characteristics of different national, organizational and professional cultures.
- Physical ability (body), which shows that it is not enough to only understand different cultures. Acts, body language, gestures, positions of the body must show that one is able to understand and come into their world. One must be able to use their senses and adapt to their surroundings.
- Motivation ability (emotions), which means that adapting to new cultures implies ups and downs. A person must have confidence in their personal abilities, and enough motivation to not withdraw after their first cultural failure.

People with higher quotients of cultural intelligence (CQ) fit in much easier in different cultures, whereas those with a lower quotient do not have the ability to adapt. Usually, those people suffer from “ethnocentrism”, a tendency to judge other cultures according to the standards of one’s own culture, and thinking that one’s own culture is superior to other cultures.

2.3.1 Cultural intelligence in a business environment

Global trends involve working in different cultures. Apart from different national cultures, companies with all their activities have also become a
mix of different cultural affiliations, from various professional cultures such as engineers, financiers, sales managers etc., to those who belong to different geographical origins than their employees.

If a national culture is further from the Western values system, it is much harder for Westerners to understand and adapt to its customs. Failures which come from misunderstanding cultural differences may lead to loss of a business contract, or financial losses.

### 2.3.2 Cultural dimensions

Studies on cultural differences have been an important topic for many years now. There is a considerable number of studies conducted on cultural issues, not only from the national perspective, but also the organizational and business aspects of the matter. Some of the pioneers in the field include, but are not limited to Edward T. Hall, Richard D. Lewis, Fons Trompenaars, and as of recent, Erin Meyer. Meyer is known for considering cultures and cultural awareness from the business perspective. As such, her theory is very practical when it comes to global management and businesses. She has developed eight cultural scales, some of which are similar to the ones that other cultural academics have previously utilized when analyzing cultures, such as the *communication scale* (high- and low-context, which was originally developed by Hall) or the *scheduling scale* (linear- and flexible-time, originally developed by Trompenaars, although under a different name for it). She also developed a tool which businesses or people can use for assessing where they fall on each of Meyer’s eight scales (Champion 2014). Meyer (2014, 21) developed the following scales:

- **Communication**: low-context vs. high-context
- **Evaluating**: direct negative feedback vs. indirect negative feedback
- **Persuading**: principles-first vs. applications-first
- **Leading**: egalitarian vs. hierarchical
- **Deciding**: consensual vs. top-down
- **Trusting**: task-based vs. relationship based
- **Disagreeing**: confrontational vs. avoids confrontation
- **Scheduling**: linear-time vs. flexible-time

All of the above mentioned scales are highly practical, when it comes to utilizing the information in management issues.

Another important figure in the field is Geert Hofstede, one of the first academics to systemize the characteristics of different global cultures. Hofstede (2010, 37-45) differentiates cultures by six different dimensions:
• Power distance

The power distance index represents the tolerance limit of the less powerful members of a specific society towards unequally distributed power, usually linked by big hierarchal differences between rich and poor. High tolerance to inequalities within the society is characteristic for South America, West Africa or China. In those countries there is usually a sort of political and economic repression, and particularly South American countries are those where there is the most evident difference between rich and poor people. (Hofstede 2010, 55.)

Countries where Exin Group is operational in, also have a high power distance index. Kosovo and Albania are characterized by big hierarchal differences between employer and employee. Moreover, Hong Kong and mainland China are one of the countries with the highest power distance indexes globally. On a scale of 0 to 120, China has a score of 80 on the power distance index, which places them in the 7th spot of the countries with the highest power distances. Hong Kong has a slightly lower score of 68, which is still quite high in comparison to Western countries, such as Austria, whose score is 11. The United States, one of the markets which Exin Group intends to penetrate, has a score of 40. (Hofstede 2010, 57-59.)

• Individualism vs. Collectivism

The dimension of individualism/collectivism represents the difference between societies in which the bonds between people are loose, and those societies where they have close relations. In an individualist society, everyone is expected to take care of themselves, or of their closest family. On the other hand, collectivist societies are made up of people who have close relationships with others, whether they are family members or not. Those are cultures in which individual needs underlie the needs of a group. One of such collectivist countries is Japan in which the needs of a group are prioritized over the needs of an individual. Other examples are countries in South America, Africa and South-eastern Asia. People live in extended families, and they take care of even distant family their whole lives. In such societies, nepotism is a normalized phenomenon and is moreover expected from one’s circle of acquaintances. The more successful members of the unity are obliged to look after the well-being of their other family members. (Hofstede 2010, 91.)
Highly individualistic countries are, for example, U.S.A. and Australia. Every individual must take care for himself and his closest family. People live apart from their family very early. In an old age, it is not expected that the members should take care about old family members, something that is in collectivistic countries normality. (Hofstede 2010, 95.)

This cultural dimension is crucial for Exin Group to be able to succeed in China, seeing as one of the most prominent phenomena of the business environment in China is guanxi, a person’s or business’s own network of people. If translated literally, the Chinese word roughly means “relationship”. In China, a lot of the business deals are done through people’s guanxis, and it is very difficult for businesses to penetrate the market if their network of guanxi is not sufficient.

A person’s guanxi is complex net of people that can help each other to reach a goal, facilitate a business deal, get a new job etc. These people may be friends, family, colleagues, or other close people. It is understood among the people in a certain guanxi that favors are done for one another, but favors are also expected in return. (Stewart 2017.)

Because it is understandably difficult for foreigners to penetrate a Chinese guanxi, it is even more challenging for them to have functional operations and efficient business meetings and deals in the Chinese market. This indicates a highly collectivist culture, and Hofstede (2010, 97) found their individualism score to be as low as 20.

- Masculinity vs. Femininity

Masculine and feminine societies differ according to clear differences in gender roles. Cultures that are highly masculine demonstrate “a preference in society for achievement, heroism, assertiveness and material rewards for success”, whereas a feminine society shows “a preference for cooperation, modesty, caring for the weak and quality of life”.

In the business world, this difference between cultures is oftentimes referred to as the “tough vs. tender” culture dimensions. (Hofstede Insights n.d.)

- Uncertainty Avoidance
The uncertainty avoidance index is utilized to illustrate the degree to which members of a society are willing to tolerate ambiguity and/or uncertainty. In countries with high uncertainty avoidance indexes, such as Germany, there are laws and rules in regards to everything, so as to not leave anything up to chance. Germans feel comfortable knowing that there are clear rules or instructions in their society. (Hofstede 2010, 188-190.)

Cultures with a lower uncertainty avoidance however, are more perceived as more relaxed and carefree, with fewer principles. One such country is Hong Kong, where its people are relatively comfortable with ambiguity. They are a more pragmatic people, and they tend to keep rules flexible, so as to adjust them to specific situations. Even the Chinese language – a strong indicator of a culture – is full of ambiguous expressions and characters.

While Germany is well-known to have a high uncertainty avoidance index (UAI), Albania’s scores even higher on the UAI chart. (Hofstede 2010, 192-194.)

With Germany as the home country of their suppliers, and Albania as one of their main markets, Exin Group needs to carefully consider this aspect of their organizations culture.

- Long Term Orientation vs. Short Term Orientation

Cultures which score high on the Long Term Orientation (LTO) charts, are considered more pragmatic. These societies are a lot more focused on dealing with the present challenges and the challenges that the future may present, they make efforts to invest in modern education as means of preparing for the future.

Cultures with a low LTO score, however, maintain much stronger links to their past, and tend to cling to traditions and long-standing norms. They are much more suspicious and unaccepting of societal change. (Hofstede 2010, 239.)

In business environments, this cultural dimension is often referred to as “normative (short term) versus pragmatic (long term) culture” (Hofstede Insights n.d.).

It is worth mentioning that Hofstede only added this dimension to his model after visiting Hong Kong and conducting independent research there. He observed that
this consideration of culture was missing from his original model of cultural dimensions. (Hofstede 2010, 236.)

- Indulgence vs. Restraint

This cultural dimension is the most recent one, which Hofstede added to his cultural dimensions model only in 2010. The dimension can be described as the extent to which people are willing to resist their urges, or impulses.

Indulgent societies are those which tend to satisfy their basic drives related to having fun, enjoying life, and therefore, being happy. Its counterpart – a restrained society – suppresses the satisfaction of those basic human needs. The gratification of needs is often regulated through strict social norms. (Hofstede 2010, 280-281.)

2.4 **Analyzing cultures and cultural values**

Global business and foreign traders encounter many challenges, which differ greatly from the challenges faced when trading within domestic borders. Each country possesses its economic and cultural individuality and differences. If businesses fail to recognize and understand them, they minimize their chances of successful penetration into the foreign market and business success against international competition.

As opposed to previous consumers’ alignment to producers’ norms – according to the principles of “buy it or leave it” – today the principle of “the customer is always right” prevails on the global market. When highlighting the importance of local customs, and adjusting more to the needs of foreign consumers, companies are forced to sell goods which best meet the customers’ needs.

The figure below illustrates the scores of each of the countries of Exin Group’s key business partners, across all six of the dimensions of Hofstede’s cultural model.
In the following chapters, basic guidelines are given on how to do business in certain markets. The countries chosen are the ones that are most relevant to Exin Group’s study case. Because Exin Group’s most important supplier is a German company, a thorough analysis of the German culture is conducted in the following chapter. Following Germany will be analyses of Albania, Hong Kong, and New York (U.S.A.) – countries in which Exin Group is operational, or will be soon.

2.5 Germany

Exin Group’s main supplier is based in Germany, which makes it very important for the company to understand their culture, on both business and national levels.

The German business world is quite formal and conservative. German business partners are always well-prepared for international meetings, and will not comment on, nor discuss, matters which they are not qualified to speak about. Punctuality is very important to them, and they expect an agenda to be followed during meetings. (Business Culture n.d.) It is also important to keep a blunt and candid communication style when discussing business deals with German partners, as they are one of the most low-context countries in the world, according to Meyer (2014, 36.) The phenomenon can also be supported by Meyer’s findings (2014, 54) regarding the evaluating scale. Germany’s score on the scale states that employers there are known to give direct negative criticism, and not “beat around the bush”. This just goes to show the country’s bluntness and transparency in communication. It is also important to realize that Germans expect the same in return, and they are not used to subliminal messages, thus having a much harder time understanding someone who comes from a high-context culture.
The chart below shows all of Hofstede’s cultural dimensions, and Germany’s score in each of them. Knowing and understanding these scores is vital to businesses who intend to work with German business partners.

Figure 3 Germany’s scores across Hofstede’s cultural dimensions (Hofstede Insights n.d.)

2.5.1 Low Power Distance

Germany has a relatively low power distance index, which is a 35 out of 120 (Hofstede 2010, 59). This is mostly because Germany has a highly decentralized administration, which allows for a proper distribution of power, not only across different geographical branches (different territories), but also various across functional branches (different administration levels). Moreover, Germany’s strong middle class is another driver of Germany’s equal distribution of power. (Hofstede Insights n.d.)

German people put their trust in people who have proven their experience and knowledge, and nepotism is generally frowned upon.

2.5.2 Individualist

While not nearly as individualistic as some other Western countries, Germany still scores relatively high on the individualism dimension scale (Hofstede 2010, 95). The German people tend to mostly focus on their immediate family, rather than on more distant relatives.

Furthermore, Germans put a lot of emphasis on typical individualistic traits, such as having distinct personal identities and self-motivation. Much like Finnish culture, German culture also highly values honesty and candor in conversation, making German communication incredibly low-context.
2.5.3 Masculine

Germany is a highly masculine country: competitiveness is what drives the country, and being ‘the best’ at a task is important. Achievement-driven and success-seeking, Germany is home to quite a masculine culture, with a score of 66 out of 120 (Hofstede 2010, 141).

The society’s masculine traits are also demonstrated by the clear division of the Germans’ careers and personal lives, which results in a very well-structured and punctual culture.

2.5.4 High Uncertainty Avoidance

According to Hofstede (2010, 188), Peter Lawrence, a British sociologist, once wrote about Germany: “What strikes a foreigner travelling in Germany is the importance attached to the idea of punctuality, whether or not the standard is realized. [...] Long distance trains in Germany have a pamphlet laid out in each compartment called a Zugbegleiter (literally, “train accompanier”) which lists all the stops with arrival and departure times and all the possible connections en route. It is almost a national sport in Germany, as a train pulls into a station, for hands to reach out for the Zugbegleiter so that the train’s progress may be checked against the digital watch.”

The Germans’ structured lives play into the high uncertainty avoidance index which they have. Their society is one which tries to control the future as best as possible, so as to not leave space for any ambiguity or uncertainty in the future. To avoid the latter, they set up different systems and rules to increase certainty in advance.

It is crucial to German businesses for their business partners to have well-thought-out plans for the future. Since Exin Group’s main supplier is based in Germany, it is of vital importance for them to fully understand how to properly do business with a German supplier.

2.5.5 Long Term Oriented

As can be seen from Figure 3, one of Germany’s highest scores is on the long term orientation index, with a score of 83 out of 120 (Hofstede 2010, 255). This means that German culture is a pragmatic one. While they do value their traditions and norms, they manage to find means of adapting them to contemporary situations, and contexts.

The German people also show a propensity for saving and investing with long-term goals in mind (Hofstede Insight n.d.).
2.5.6  Restrained

Germany shows relatively low scores on the Indulgence index of the cultural model (Hofstede 2010, 283). This means that its people are quite restrained, and oftentimes resist their first-instincts of fulfilling their desires. The society’s restraint demonstrates the German’s people tendency to “live to work”, and their overachieving nature.

Germans also tend to put instant gratification on hold, in favor of a long term self-satisfaction.

2.6  Hong Kong

“The Hong Kong Special Administrative Region is an inalienable part of the People’s Republic of China.” – Article 1, Chapter I, Basic Law (The Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China 1/1990, Article 1.)

While Hong Kong is technically a part of China, their societies and their traits vary considerably, particularly when it comes to conducting business there. Not only are the cultures of the two regions different, but they also have very different tax laws, trade policies, customs etc. One of the most crucial differences between them is that the People’s Republic of China (herein after referred to as PRC) remains a communist country, whereas Hong Kong is a limited democracy, and a capitalist region. This affects various aspects of Hong Kong’s policies, economy, culture etc. (Bajpai 2018).

The chart below shows all of Hofstede’s cultural dimensions, and Hong Kong’s score in each of them. Knowing and understanding these scores is vital to businesses who intend to work with Hong Kong business partners.

![Figure 4 Hong Kong’s scores across Hofstede’s cultural dimensions (Hofstede Insights n.d.)](image-url)

Exin Group’s purpose, when entering the Hong Kong market, was to eventually be able to penetrate the Chinese market (Mainland China). Due to recent events, these operations are currently on hold. Nonetheless, understanding the scores of the various indexes of
Hofstede’s cultural dimensions is vital for Exin Group’s Hong Kong operations.

2.6.1 High Power Distance

With a score of 68, Hong Kong boasts a relatively high power distance index, which indicates that the relationships between an authority figure and a subordinate tend to be polarized (Hofstede 2010, 58). Moreover, this unequal distribution of power is generally accepted by the lower-ranking level of people. The main issue with countries which have a high power distance index is that there is no line of defense against the superiors who may abuse their power.

2.6.2 Collectivist

Hong Kong score of 25 in this dimension is a strong indicator of its collectivist culture (Hofstede 2010, 97). This is a common trait of many Asian cultures, but China – and thus, Hong Kong – is particularly known for its phenomenon of guanxi, one’s network of people who do favors for each other, and to whom favors are given back in return. Hong Kong’s people strongly consider the interests of the group, and do not only pursue their own interests. This, for example, influences promotions that are given to people, and even recruitment and hiring are affected. Often, the phenomenon of nepotism can clearly be noticed, when analyzing the human resources of a Hong Kong organization; family and close acquaintances get preferential treatment from the managers and executives. (Lu, 298.)

This may not bode well with Exin Group’s operations in Hong Kong. Companies and business people in Hong Kong are much more likely to remain within their own group of colleagues, instead of reaching out and networking with people with whom they have had no prior contact with. Exin Group’s managers in Hong Kong need to focus on penetrating vital groups of people for their operations.

2.6.3 Masculine

Hong Kong has a somewhat masculine culture, meaning that they value competitiveness, success, and reaching goals. The person with the most knowledge and most experience is valued most. This is also a trait that is very common amongst Asian cultures, and can be seen as early on in people as elementary education. The need to succeed follows Asian people until retirement.

Nevertheless, Hong Kong’s score of 57 does not place it amongst the most masculine societies in Asia (Hofstede 2010, 142). One of their most common masculine traits is their determination and commitment to their
working life, with many domestic companies working a much longer schedule than their Western counterparts. According to Li (2016), a study by financial services company UBS in 2015 showed that Hong Kong had the longest working hours, out of the 71 places which were surveyed. Hong Kong not only has the most amount of weekly hours (50.1 hours, which is 38% more than the average worldwide), but they also had very few vacation days throughout the year (Ng & Leung 2018).

2.6.4 Low Uncertainty Avoidance

Hong Kong has an uncharacteristically low uncertainty avoidance index, in comparison to other Asian cultures. While the region scores quite similarly to other Asian nations in the other cultural dimensions, the Uncertainty Avoidance dimension is an exception. (Hofstede 2010, 194.)

The people of Hong Kong aren’t troubled by ambiguity, and have a very pragmatic way of life. Hong Kong’s legal matters, rules, and policies may be flexible to better suit specific situations, rather than have general laws which are to be applied regardless of the circumstances. Moreover, even their language is riddled with ambiguous expressions which are very high-context, even to Westerners who may speak the local language.

Hofstede argues that a low Uncertainty Avoidance cultures allows for the freedom of opinions, and allows many various cultures and ideas to come together. According to Sitkin & Bowen (2013, 146) Hofstede describes people of such cultures as “… more phlegmatic and contemplative.”

2.6.5 Long Term Oriented

As implied by its low uncertainty avoidance index, Hong Kong culture is a very pragmatic one; people tend to adopt new rules more easily, and they believe that the rules are highly dependent on a specific situation, time, or context (Hofstede 2010, 256). While they do have respect for their traditions, they are not opposed to changing them to better fit the current conditions.

The people of Hong Kong also show a propensity for saving and investing money, and thinking ahead instead of having a myopic attitude towards money.

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7 High-context culture often implies high-context communication. This means that communication between people relies heavily on the specific context of the conversation, or even nonverbal cues, whereas low-context cultures rely explicitly on verbal communication. (Hall 1976, 105-113)
2.6.6  Restrained

Hong Kong has a very low score of 17 on a scale of 1 to 120 (Hofstede 2010, 285). This demonstrates that the region is quite restrained in its ways. Hong Kong’s society as a whole has a predisposition to put work ahead of leisure time. They are very good at controlling their urges. However, these societies tend to be under the impression that their restraint comes from social norms, and indulging themselves would be somewhat wrong, and shameful. This phenomenon of “not doing shameful thing” comes from the strong notion of “saving face” which is very prominent in most Asian cultures. It is very important to people to not do anything socially unacceptable.

People of restrained cultures are oftentimes perceived as cynical and pessimistic (Hofstede Insights n.d.).

2.7  New York, United States of America

Because the United States of America cover such a large geographical mass, different regions of the country may have different cultures and business environments from each other. Southern states of U.S.A., for example, have a different culture from the one that may be present in New York. Nevertheless, for the purposes of this study, the analysis applies to the whole of U.S.A.

American culture is one of the most interesting and characteristic cultures, when analyzed through various cultural models. For one, U.S.A. is the most individualistic country in the world (Hofstede 2010, 95). It is also the most low-context country in the world. According to Meyer (2014, 57) while they do communicate in a very low-context manner, Americans are not the best at giving direct negative feedback. In fact, they lean more towards indirect negative feedback, in the evaluating scale, as can be seen in the figure below. This trait is very curious, in the sense that Americans have no issue with being very direct and straightforward in conversation, but when it comes to evaluating someone’s work, they struggle with being candid.
The chart below shows all of Hofstede’s cultural dimensions, and the scores of U.S.A. in each of them. Knowing and understanding these scores is vital to businesses who intend to work with business partners based in U.S.A.

Exin Group is expected to soon expand their operations to New York, U.S.A., in the next two years. Although they are currently undergoing standardization procedures, it is still important for the company to be well-prepared for the cultural challenges they might face when doing business in the U.S.A.
2.7.1 Low Power Distance

U.S.A. has a relatively low power distance. With a score of 40, they are well below the world average of 55. (Hofstede 2010, 59.) This indicates that there is a certain equality amongst authority and subordinates, such as parents and children, employer and employee etc. Furthermore, while it is understood that there are differences between various levels of people, their low Power Distance score indicates that the power inequalities that do exist are endorsed by the followers as much as by the leaders.

2.7.2 Individualist

U.S.A.’s score of 91 on the individualism scale is their highest score overall (Hofstede 2010, 95). Americans have a tendency to stick to themselves. Their bonds with friends or colleagues are relatively loose, and they mostly try to take care of only their closest family members. Moreover, they are self-reliant; Americans try not to look for help from others, but rather try to solve problems themselves.

It is worth mentioning that only six other countries have Individualism as their highest score on the Hofstede model, and the United States have the highest score of individualism in the world (Hofstede 2010, 95).

2.7.3 Masculine

U.S.A. has a high score of masculinity at 62, a trait that can be seen in typical American behavior (Hofstede 2010, 141). This high masculine score, when combined with the high individualism in their culture brings out a “the winner takes it all” mentality in Americans. They are very achievement-driven, and they are among those cultures which “live to work”, in contrast with Finland, for example, where people “work to live”.

2.7.4 Low Uncertainty Avoidance

The relatively low score of 46 on the Uncertainty Avoidance scale is indicative of a society where rules are more flexible and adaptable to the circumstances, and people do not always try to control the future or the outcomes (Hofstede 2010, 194).

A low uncertainty avoidance score is also compatible with cultures where people are more open-minded to new ideas and customs, and there’s a lot more tolerance and acceptance towards others’ beliefs and lifestyles.
2.7.5 Short Term Oriented

The score of 26 on this dimension is U.S.A.’s lowest score of all (Hofstede 2010, 257). A low score in the Long Term Orientation dimension means that Americans are a very pragmatic people. They tend to very carefully consider new information, and are reluctant to let go of old information, customs, and beliefs. These deep-rooted beliefs tend to polarize the American people on various social and political issues, such as gun reform, abortion rights, the rights of the government etc.

In the workplace, quick results are expected from employees. This is reflected in the fact that American companies issue income statements (also known as profit and loss statements) each quarter. For Exin Group, this means that they need to be prepared to show promising results rather quickly, once they initiate operations in New York.

2.7.6 Indulgent

U.S.A. has a relatively high score on the Indulgence scale (Hofstede 2010, 282). Such a score is indicative of a society that values happiness, and pursuit of personal desires. Americans do not show restraint when it comes to controlling their urges or impulses.

This score is curious, when combined with a normative score on the Long Term Orientation dimension, and a high score on the Masculinity dimension. While the two latter dimensions imply that Americans have a propensity for working very hard and being success-driven, the score on the Indulgence dimension show that Americans also highly value their own “fun times”.

2.8 Albania

Albania, a relatively small country located in Southeastern Europe, still has a number of issues when it comes to its economy and legal system. It is a difficult venture for non-Albanian companies to penetrate the market in a country where corruption and nepotism are the norm.

Albanian business meetings are not very formal, and usually, punctuality is not a high priority. When dealing with Albanian business partners, it is important to have an understanding of the hierarchical structure of the organization one is dealing with.

The chart below shows all of Hofstede’s cultural dimensions, and Albania’s score in each of them. Even though Kosovo (Exin Group’s domestic market) and Albania are geographically close to each other, they have quite different cultures, especially when it comes to business
conduct. Knowing and understanding these cultural scores is vital to businesses who intend to work with Albanian business partners.

![Albania's scored across Hofstede's cultural dimensions (Hofstede Insights n.d.)](image)

2.8.1 High Power Distance

One of the most noticeable traits of Albanian culture is the high power distance (Hofstede Insights n.d.). There are hierarchical levels in almost all parts of society, such as family, companies, government etc. The unequal distribution of power amongst the masses is generally accepted from those more powerful, and those less powerful alike.

In a company setting, employees expect explicit assignments and tasks to be delegated to them by their employer, supervisor or leader. They do not want to have a say in the decision making process, per se. Their preference is to have an autocratic leader who is considerate of their wants and needs.

2.8.2 Collectivist

Albania is a very collectivist society, where it is of utmost importance to belong to a group, and take care of them. The type of group may be a family, friends or other kinds of relationships. Regardless of the type of group that one may belong to, it is vital to stay committed and loyal to it.

In collectivist societies, loss of face is one of the worst things that can happen to a person, family, or other group. Loss of face occurs when one does something that does not bode well with the generally accepted social norms of the society, which is considered shameful. Due to this, Exin Group needs to thoroughly consider decisions, business deals and business partners; they may not always be well-informed on the backgrounds of companies they work with, which is something that needs to be avoided. Doing business with the wrong people (such as corrupt people, liars, thieves etc.) can also lead to loss of face for the company, which would result in less people being interested in working with them.
2.8.3 Masculine

Albania’s score of 80 shows that it has a highly masculine culture, where success, achievement and competitive drive are valued greatly (Hofstede Insights n.d.). In Albanian society, “being the best” is widely regarded to be the only way to success. Children are encouraged to work really hard in school, because if they do not show promising results in school, it will be difficult for them to succeed later on in life. This strive for success follows Albanians all throughout their lives, and their goal is always to win or to be the best.

2.8.4 High Uncertainty Avoidance

A high score of 70 in this dimension indicates that Albania is a society that loves rules, and has an intrinsic need for them, regardless of the functionality of those rules. Albanians are not comfortable with ambiguity, and not being to have some amount of control over the future and outcomes. They also do not approve of unorthodox or non-normative behavior, and innovation is oftentimes resisted. (Hofstede n.d.)

2.8.5 Long Term Oriented

Albania has an average score of 61 on the Long Term Orientation dimension, which leans more towards a long term oriented society. This means that Albanians are somewhat pragmatic, and believe that truth is not absolute (it depends on various factors and circumstances). (Hofstede 2010, 256.)

2.8.6 Restrained

Albania has one of the lowest scores in the world in regards to the Indulgence dimension on Hofstede’s model. They are the 5th most restrained culture in the world, with a score of 15. This shows that Albanians do not put too much emphasis on pursuing happiness, fulfilling their desires, or acting upon their urges. They limit themselves and resist impulses, due to their belief that indulging makes them “unorthodox”. (Hofstede 2010, 285.)

2.9 In general

All of the above analyses of the cultures where Exin Group intends to do business in are crucial to the company. Without being able to fully understand these traits, it will be very difficult for the company to do business in such different cultures. There are many characteristics of a culture that cannot be understood by simply reading about the country,
such as nonverbal cues. Hong Kong, one of Exin Group’s biggest markets, is a very high-context culture where it is hard to understand its people if one is not part of the culture, or if one has not been near its people for an extended period of time, whereas U.S.A. is the most low-context country in the world. (Meyer 2014, 32; IOR Global Services n.d.)

Considering the concepts of high- and low-context cultures depicted in the figure below, one can gain a general understanding about communication across cultures.

![Communicating scales](Meyer 2014)

People that belong to high-context cultures incorporate a lot of nonverbal messages into their conversations, and the outcomes of the conversation varies on context and situation. On the contrary, people that belong to low-context cultures rely explicitly on verbal communication, and the words that are being said during the conversation. Nonverbal communication is very secondary to low-context cultures, where people expect others to say exactly what they mean and to be very blunt and honest about their opinions. (Hall 1976, 106-116.)
3 DATA AND FINDINGS

3.1 Introduction

This section focuses on the data collected throughout the duration of this research project. There is also an in-depth analysis of the data, and brief explanations of the results gathered.

The data was collected by sending a survey to low-, mid-, and high-level managers of companies which have had experience in global markets, and foreign assignments. The purpose of the survey was to give a clearer picture of how managers handle cultural differences on a global market.

The questionnaire research process included 16 participants. All participants received the questionnaire via email and the answers were collected back in the same way, too. The questionnaire itself was composed of four different sections.

The first section includes questions related to the participant’s readiness for global management and appraisal of the participants’ cross-cultural skills.

The second part aims to collect the opinions and arguments on globalization topics and issues.

The third group of question targets the general answers related to working performance and attitude.

Finally, the forth section was the demographic section of the survey, which was used to help build a profile of each participant. Understanding the backgrounds of each manager made it easier to understand the relations between the answers and enabled a simpler analysis of the findings.

3.2 Demographics

In order to present the demographic overview of the candidates and the survey sample, the demographic section will be analyzed first.
Starting with the basic attribute, gender, in this research the composition of the candidates is depicted in the Figure 9 below.
The image indicates that prevalent participant of the study are female, making up 62% of all the participants. The male participants made up 38% of all participants.

Based on their hierarchical position within the organization that the participants work at, they were grouped in three categories:

- Top management;
- Middle management;
- Low management.

Out of all the participants, 43% were found to be managers active in the top management level. The middle management comprises 38%, and low management represents 19% of the total number of participants.
The figure below gives an interesting relation between the gender and position of the participants in their respective organizations.

![Figure 11 Relation between gender and management level](image1)

Figure 11 Relation between gender and management level

In this survey, female top management comprised 25% of all candidates, while others candidates were separated evenly, in regards to their gender and position within the company – respectively 19%.

![Figure 12 Top management – female vs. male](image2)

Figure 12 Top management – female vs. male

In analyzing the top management level participants only, the relevant dominance of female candidates is also present here.

In the further analysis of the candidates profile it shows the relation of working experience and management level.
Referring to Figure 13, it can be concluded that middle management has the longest working experience, followed closely by top management where the majority of the candidates have 5 to 15 years of working experience or more. The working experience of low management ranges mostly to less than 5 years, with a small portion of participants having up to 15 years working experience.

The figure below aims to find a correlation between age and position at the company, and tries to depict the average age of each of the position categories. From the gathered data, it can be inferred that mid-managements participants have the highest average age.

It can also be seen that a considerable amount of younger participants have a top management position at their company. Moreover, this information is related to the education level of the participants.
Figure 15 Education - position

The figure above illustrates that no low-management participants have had an education span of more than 17 years. This means that all the low-management participants have either a high school education, or a bachelor degree at best. 20% of the mid-management participants also presumably have a Master’s degree, whereas the other 80% does not. The figure also shows that top-management has the most educated participants, with over 40% having more than 18 years of prior education.

The next figure shows where the participants have lived for longer than a year. This information is very relevant, when trying to understand managers’ preparation for foreign assignments, their cultural intelligence and their experience abroad.

Figure 16 Countries where most of the candidates were living longer than 1 year

As most of the participants surveyed were born in Kosovo, it can be seen that an overwhelming amount of people have lived in Kosovo for longer than a year. Because a lot of Kosovar people born in the 60s, 70s, and 80s, have finished their higher studies in Croatia (the closest country with
a good education, in the time of Yugoslavia), Croatia is also a relatively
dominant part in the figure.

Other participants have continued their education in U.S.A., Germany,
U.K. or Austria. They have also worked in those countries. It is also
interesting here to point out that out of sixteen candidates, nine of them
have answered that they feel closest to the culture of the country they
were born in or lived longest in. One candidate has answered that he
feels closest to the culture of his family origin. Others have mentioned
European countries such as Austria, Germany, and UK.

3.3 **Globalization issues**

This section listed a series of statements to which the participant had to
choose one of the options:

- Strongly agree
- Agree
- Disagree
- Strongly disagree

At first look, the overview of the globalization-related questions and
collected answers shows the positive, and affirmative perspective that
the participants have on the issue of globalization.

Separately analyzing the two main statements of this globalization
section, it should be pointed out that the answers to the first question
“Globalization is making the world better”, 12 out of the 16 participants
answered with “agree” or “strongly agree”. The other main statement of
this section, “Globalization is threatening our national culture”, had 9
“disagree” and/or “strongly disagree” answers, and 7 “agree” or “strongly
agree”, which confirms the affirmative perspective on globalization, too.
This has been depicted in the figure below.

![Figure 17 Globalization issue](image-url)
It is also interesting to compare these perspectives of the participants to their positions in the company.

Figure 18 Globalization – pessimistic view

Figure 18 shows that top management participants are more open and more supportive of global activities than the middle management participants. The low management participants seem to be particularly opposed to the globalization phenomenon, where 67% of the candidates think that globalization is threatening individual national culture.

As for the optimistic perspective on globalization, top management and middle management are a lot more consistent in this regard. It is curious to see that low management participants felt that globalization is making the world a better place, but still felt that it threatens their national culture.

3.4 General attitudes

The figure below identifies how respondents feel and what they think about a variety of issues.
Most respondents agree that their organizational culture is stronger than national culture. 68.8% of the participant agree that a good performance comes from tight control over business processes. According to the given answers, it can be seen that 75% of respondents think that companies work best with clear and formal hierarchies. This view is reflective of their respective countries’ Power Distance. Considering that most of the participants are Kosovar, their culture is one of High Power Distance on Hofstede’s cultural model.

For the statement “having a manager from own country, rather than from a foreign country”, 43.8% of respondent answered with agree, and the same percentage answered with disagree. In addition to those answers, there were 12.5% of participant that strongly disagreed. Thus, it can be concluded that the participants do not believe that they would unconditionally be better off having a manager from their own country.

Exactly half of the respondents agree that people accomplish important things when they work hard. Another 25% ‘strongly agree’ with that statement, meaning that three out of four respondents are confident in this statement. Only 25% disagree with this statement with several of them adding comments that people accomplish important things by working “smart” rather than “hard”. A similar situation can also be seen on the statement that being flexible is more important than working a schedule, where 50% of candidates have answered with agree and 37.5% strongly agree with this statement. It can be concluded that 87.5% respondents believe that flexibility is much more important than pertaining to a schedule.

### 3.5 Global management and cross-cultural skills

Before analyzing this section, it is necessary to lay out the ‘classes’ of participants that were used to classify them into groups.

- 32 – 64 class 1: global management skills are limited; need for improvement of effectiveness,
65 – 95 class 2: on the way to be a global manager; need for further development of global skills,
96 – 128 class 3: skilled global manager; (Brake 2002, 66-69.)

From Figure 21 (below), it can be seen that none of the candidates fall into the first class. The second class of this section of the questionnaire is mostly made up of middle management level participants. It is also interesting to notice that the top and low managers represent the same percentage of 29% within this class. That means that both groups have a good chance of becoming excellent global managers by further developing their skills. According to the results, 56% of top managers are already skilled global managers. 33% of mid-level management participants possess those characteristics, too. 11% of lower managers have shown tendency for having good global management skills.

The high scores for middle managers who fall in the second and third class could be linked with the fact that they have lived for more than a year, and have possibly worked abroad.

The figure below clearly shows that most mid-level managers from have travelled abroad.
We can also consider the results on a basis of gender structure. The figure below depicts the gender composition of the three classes.

It can be seen that the majority of female managers fall into the second class which means that they are on the right path to being a global manager, but they have to put more effort into further development of their international skills.

Some answers to questions from this section were particularly thought-provoking. For example, to the statement “I have an open-minded approach to different cultures and their values”, none of the candidates answered with ‘never’ or ‘occasionally’. From sixteen candidates, only four of them have answered with ‘frequently’ (two from top management level and two from middle management). All the other respondents marked ‘always’. This shows that all of the participants believe that they are very open-minded to different cultures.

“I adapt easily and effectively to new situations” is also one of the statements where most of the candidates have answered positively.
These answers are reasonable if one connects them to the above mentioned statement about open-mindedness to different cultures. If they have no difficulties with adapting easily to new circumstances, that means that they are more open-minded to different cultures and vice versa. Therefore, one could draw the conclusion based on these two statements that the candidates have a higher quotient of cultural intelligence, that is, are better prepared for facing different cultures.

To the statement “I judge people if I do not understand their culture and circumstances”, there are several ‘occasionally’ and ‘never’ answers. However, these statement are somewhat dubious. If considering only the questionnaire answers, it seems to be the truth. Yet, according to the informal interviews with several managers, they do judge people from different cultures, but are not aware of it. They are not aware of the fact that they are “ethnocentric”, or that they have a tendency to judge other cultures according to the standards of their own culture. Answering to this statement, the managers were more guided by the desire to resist judging people than by the reality of that.

Answering to the statement “I pay attention to my global management development needs”, all of the candidates answered positively. This is a very good indicator that they all value the development of their global management skills.

4 CONCLUSION AND RECOMMENDATION

After analyzing and evaluating the impact of globalization processes, which are inevitable for companies and managers that wish to be international players, various cultural issues were explored. In addition to the cultural aspect of the study, the author evaluated other important aspects that companies need to consider when expanding to international markets. Globalization, one of the issues analyzed in the study, is of vital importance to understand, as it plays a big role in the company’s operations. Understanding the process of globalization and how it affects the countries where Exin Group is doing business can give a very good background to also understanding those cultures and the society in general. Another aspect that was analyzed was HRM’s role in the company when going international. They are one of the key aspects to having smooth communication within the company, even across borders, which is vital to maintaining a healthy dynamic within the organization, regardless of the employees’ cultural backgrounds.

Moreover, when companies go global, they are faced with an important decision: local or domestic staff. There are certain strengths and weaknesses to both options, summarized below to help conclude this research paper.
• Strengths of recruiting a local staff:
  1. Decreased costs
  2. There is an emphasis on trust in local management
  3. Increased acceptance of a company from local people
  4. Increased possibilities for growth of business within the local environment
  5. Brings recognition to the company as a legal member in local economy

• Weaknesses of recruiting a local staff:
  1. Difficulties with balancing between local needs and global priorities of a company
  2. Difficulties in recruiting qualified personnel
  3. Decreased level of control from domestic company

• Strengths of recruiting domestic staff:
  1. Increased level of control of the branch
  2. Employees get a multinational orientation
  3. Cultural similarity with home country ensures a transfer of business policy
  4. Local staff cannot contribute to profit as much as domestic staff can
  5. Gain of a broader global perspective

• Weaknesses of recruiting domestic staff
  1. Difficulties with adapting to a new environment
  2. Increased costs (salaries, transfers)
  3. May come with limitations from local authorities (local management)

Therefore, it might be most beneficial for Exin Group to internationalize other functions, but localize human resources. While this may not ensure the smoothest of transitions for the organizational culture, it is very beneficial to have locals working for the organization because they understand the local market best, and have probably had previous experience working there, whereas Exin Group is a relatively young company with limited experience on international markets.

Furthermore, based on the literature and data which was presented and analyzed in previous chapters, the following could be recommended. When reassigning employees to foreign markets, or when hiring new staff, it is very important to carefully scrutinize the employees’ cultural intelligence, i.e. their cultural skills, adaption time, comfort level in social settings etc. Taking into account that every country has its own culture and their own behavior codes, different skills and competences are required to succeed in each society. It is recommended to be careful in communicating with people from different cultures. The safest way is to
look carefully, and to observe how people greet each other, which emotions they show and which not, what is considered impolite, which gestures they use and what they mean etc. Otherwise, business people put themselves at risk of seeming impolite, or disrespectful. In other words, “When in Rome, do as the Romans do”.
REFERENCES


Dear Sir or Madam,

Thank you for agreeing to participate in the research I am carrying out as part of my studies in International Business at Häme University of Applied Sciences. This study is part of my Bachelor Thesis with the topic “Cultural barriers of multinational companies”, and the research question “How can Exin Group Ltd improve management in Albania, Hong Kong, and New York, and overcome the cultural barriers?”

The data that is gathered here will be compared to current published opinion to see the similarities and differences between them. It will provide an important insight into the experiences of managers in their use of global management skills.

The questionnaire will take no longer than fifteen minutes.

ALL RESPONSES WILL BE TREATED WITH THE UTMOST CONFIDENTIALITY AND THE NAME OF THE PARTICIPANT WILL NOT BE ASSOCIATED WITH ANY PARTICULAR RESPONSE.

This study is being conducted under the supervision of Prof. Merja Helin, Head of Degree Programme at Häme University of Applied Sciences.

If you have any further comments, queries or concerns, please contact me on the following e-mail addresses: moreaibrahimaj@gmail.com or morea.ibrahimaj@student.hamk.fi

Thank you in advance for your cooperation.
### SURVEY

#### Cross-cultural skills

To evaluate your readiness for global management by reading the following statements and then choosing the option that is closest to your experience, put an “X” in appropriate column! Be honest with yourself!

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Occasionally</th>
<th>Frequently</th>
<th>Always</th>
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<tbody>
<tr>
<td>1.</td>
<td>I gather information on cultural differences to influence my decisions.</td>
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<tr>
<td>2.</td>
<td>I have an open-minded approach to different cultures and their values.</td>
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<tr>
<td>3.</td>
<td>I am careful not to impose my stereotypes on others.</td>
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<td>4.</td>
<td>I use self-reflection to learn from my international experiences.</td>
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<td>5.</td>
<td>I communicate clearly and precisely across cultural and geographical borders.</td>
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<tr>
<td>6.</td>
<td>I am comfortable with some uncertainty and ambiguity at work.</td>
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<td>7.</td>
<td>I am patient with other people as they learn to adapt their working techniques.</td>
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<td>8.</td>
<td>I look for opportunities to gain valid cross-cultural experiences.</td>
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<td>9.</td>
<td>I make sure everybody working with me takes cultural differences seriously.</td>
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<td>10.</td>
<td>I keep checking for shared understanding in cross-cultural work</td>
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<td>11.</td>
<td>I adapt easily and effectively to new situations.</td>
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<td>12.</td>
<td>I take the time necessary to build trusting and strong relationships.</td>
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<td>13.</td>
<td>I listen attentively and accurately, giving plenty of time to each speaker.</td>
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<td>14.</td>
<td>I make sure that everyone in my team feels included.</td>
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<td>15.</td>
<td>I can empathize with other people so that they know they can rely on me.</td>
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<td>16.</td>
<td>I can recognize my own biases and work towards managing them.</td>
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<td>17.</td>
<td>I anticipate the effect of cultural differences on business issues.</td>
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<td>18.</td>
<td>I always try to integrate opposites into mutually beneficial solutions.</td>
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<td>19.</td>
<td>I make sure my staff members attend cross-cultural training sessions.</td>
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<td>20.</td>
<td>I pay attention to my global management development needs.</td>
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<td>21.</td>
<td>I create opportunities to talk about cultural differences with my team.</td>
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<td>22.</td>
<td>I seek and use feedback on my global management performance.</td>
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<td>23.</td>
<td>I try to create the right conditions for everyone to do their best work.</td>
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<td>24.</td>
<td>I pay attention to the value cultural differences can add to the business.</td>
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<td>25.</td>
<td>I try to understand the cultural orientation of our business associates.</td>
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<tr>
<td>26.</td>
<td>I resist judging people if I do not understand their culture and circumstances.</td>
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<td>27.</td>
<td>I make sure that I show respect to others who are different to me.</td>
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<td>28.</td>
<td>I am eager to share my international experiences with others.</td>
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<td>29.</td>
<td>I nurture a sense of humour to support relationship building.</td>
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<td>30.</td>
<td>I am confident in my ability to manage in different cultural contexts.</td>
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<td>31.</td>
<td>I make sure everyone understands the organization's ethical values.</td>
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<td>32.</td>
<td>I use cross-cultural conflict to deepen our learning about each other.</td>
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**Globalization issues**

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<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>Globalization is threatening our national culture.</td>
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<tr>
<td>Globalization is making the world better.</td>
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</table>
### General attitudes

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
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<tbody>
<tr>
<td>Our company culture is stronger than our national culture.</td>
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<tr>
<td>Good performance comes from tight control over business processes.</td>
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<td>Organizations work best with clear and formal hierarchies</td>
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<td>People are better off having a manager from their own country, rather than someone from another country.</td>
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<tr>
<td>People accomplish important things when they work hard</td>
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<tr>
<td>Being flexible is more important than working to a schedule</td>
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</table>

### Demographic section

1. In which country were you born?
   _______________________________________________________________________

2. Have you always lived in the country in which you were born? Please mark one: Yes [ ] No [ ]

3. In which countries have you lived for one year or longer?
   _______________________________________________________________________

4. In which country have you lived longest?
   _______________________________________________________________________

5. In which country do you live now?
   _______________________________________________________________________
6. Most people feel closest to the culture of the country in which they were born. Some people feel closer to the country in which they have lived longest or in which they live now. Still other people feel closer to a culture that is associated with a region, a religion, or some other group. Which culture do you feel closest to? Please mark the appropriate category:

- The country in which you were born
- The country in which you have lived the longest
- The country in which you live now
- Other – Please indicate __________________________

7. Are you female or male? Please mark one: Female [ ] Male [ ]

8. To which age category do you belong? Please mark the appropriate number:

- >25
- 26 to 30
- 31 to 35
- 36 to 40
- 41 to 45
- 46 to 50
- 51 to 55
- 56 to 60

9. Counting from the first year of formal education you attended when you were a child, approximately how many years of formal education have you had? Number of years: (please mark the appropriate category)

- 1 - 7
- 8 - 12
- 13-17
- 18+

10. What is your 'job-level' in the organization you work for? Please mark one:

- Top management
- Middle management
- Lower management

11. How many years have you worked full-time? __________________________

12. How many years have you worked in the organization you work for now? ________________________________
Name and surname (optional): _______________________________