



**COMMUNICATION AND CONFLICT IN
INTERNATIONAL BUSINESS:
CASE OF INDIA AND FINLAND**

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ABSTRACT

The thesis studied cross-cultural communication between Indian and Finnish cultures. The emphasis was in international business communication and conflicts. The purpose of the thesis paper was to demonstrate various methods for categorizing cultures, give helpful general information on Indian and Finnish cultural characteristics and examine communication and communicational conflicts between the two cultures. The commissioner, GPD Glass Performance Days organizes glass related conferences around the world. Their newest conference was held in India. The goal of the thesis was to provide information to help GPD cope with cross-cultural communication issues that may arise in the future.

The method of gathering data was reviewing existing literature about cross-cultural communication. The literature revealed extensive studies on culture using diverse culture categorization frameworks. Other data was recovered from newspaper articles and articles from the internet. Using the data and the frameworks, Finnish and Indian cultures could be analyzed and compared analytically. Five conflict points were identified to help overcome probable communication barriers. The results can be used to gain an easy-access to begin understanding cultural differences between India and Finland.

Keywords	communication, conflict, cross-cultural, culture, final thesis, finland, india, international business, negotiation
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TIIVISTELMÄ

Opinnäytetyössä tutkittiin intialaisen ja suomalaisen kulttuurien välisiä kommunikaatio-ongelmia. Työssä painotettiin kansainvälisestä viestintää ja sen ongelmia liike-elämän näkökulmasta. Opinnäytetyön tarkoituksena oli tutkia erilaisia kulttuurien kategorisointimetoja, antaa yleistä tietoa suomalaisen ja intialaisen kulttuurin ominaisuuksista ja tutkia viestintää ja viestinnän ongelmia näiden kulttuurien välillä. Työn toimeksiantaja, GPD Glass Performance Days, järjestää lasialan konferensseja ympäri maailmaa. Heidän uusin konferenssimaa on Intia. Opinnäytetyön tavoitteena oli tarjota tietoa suomalaisen ja intialaisen kulttuurin eroista, mitä GPD voisi käyttää hyväkseen järjestäessään konferensseja tulevaisuudessa,

Tietoa kerättiin tutustumalla kulttuurienvälisestä kommunikaatiota käsittelevään kirjallisuuteen. Kirjallisuudessa aihetta oli käsitelty laajasti ja tutkimuksissa oli käytetty erilaisia kulttuureita kategorisoivia malleja. Muita lähteitä olivat sanomalehtiartikkelit ja internetin uutisartikkelit. Tutkimustietoa ja kategorisointimalleja käyttäen pystyttiin analysoimaan ja vertailemaan suomalaista ja intialaista kulttuuria. Työssä löydettiin viisi konfliktitekijää, joiden tuntemisella voidaan ehkäistä tulevaisuuden kommunikaatio-ongelmia.

Avainsanat	intia, kansainvälinen, kauppa, kommunikaatio, konflikti, kulttuuri, neuvottelu, opinnäytetyö, suomi
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1 INTRODUCTION

Culture is a dynamic social phenomenon. Specific cultures are difficult even impossible to define and they are always changing. Even single countries contain hundreds of different cultures from micro to macro scale. Cultures overlap and act like gradients. Even though one cannot clearly point where a cultures start and where they stop, they are still real. So are the everyday communication problems and cross-cultural conflicts that arise from cross-cultural ignorance. In global business world overcoming the cultural hurdles is a necessity.

The thesis will present and introduce different frameworks for categorizing national and organizational cultures. These frameworks will then be used to analyze both Indian and Finnish cultures while emphasizing the business point of view. Last the two cultures will be compared in a way that exposes possible conflict situations.

Treating cultures as clearly defined and stagnated would be misleading. Therefore this thesis was not intended to be an in-depth analysis on cultural differences between the two countries. The aim of this thesis is to provide a simple and practical tool to understand communication issues in Finnish-Indian business relationships.

2 WHAT IS COMMUNICATION

Communication, as defined by the Merriam-Webster's Online Dictionary, is "a process by which information is exchanged between individuals through a common system of symbols, signs, or behavior". It can also be a chain of events during which information is sent. This clarification takes into consideration in which there is an attempt to communicate but the message is not received. The core meaning of communication is not about speaking, gesturing, seeing or listening per se. It is about having a message and trying to transmit that message to a second party in a way that the receiver understands the message as the sender intended to.

According to the Shannon-Weaver communication model (Shannon & Weaver, 1949) communication is a product of five elements:

1. *An information source*, which produces a message.
2. *A transmitter*, which encodes the message into signals
3. *A channel*, to which signals are adapted for transmission
4. *A receiver*, which 'decodes' the message from the signal.
5. *A destination*, where the message arrives.

There is also a sixth element which is *noise*. The noise is any interference with the message travelling along the channel which may alter the signal which may lead to a different message.

This so called *process* model focuses on *transmission of messages* as described by John Fiske (Introduction to Communication Studies, John Fiske, page 2, 1990). It is focused on how senders and receivers encode and decode messages, channels and media are used to transfer messages and how accurate and efficiently the communication process is. The process model sees that an anomaly in the transmitted message means a failure in communication. So it is essential that the message itself remains that same during communication process. It is a technical approach to communication.

The second approach described by Fiske is *production and exchange of meanings*. This is a *semiotic* view of communication. It is not interested in the messages themselves but rather on the meaning behind the messages. Semiotic view is interested in how information, meanings and feelings are shared by people, the exchange of verbal and non-verbal messages and the effect of messages on the receivers. According to U.S.

Department of Education, “the field of communication focuses on how people use messages to generate meanings within and across various contexts, cultures, channels, and media” (Classification of Instructional Programs, 2000).

The combination of the two approaches studies how *messages are used to manifest meanings* (Emmit, Gorse, 2003). This approach states that both the process of transmitting the message *and* the meanings that the receivers perceives are equally important.

When talking about communication problems we have to take into consideration the failures in the process of transmitting messages and failures in creating the intended meaning, feelings and association.

There are two basic types of communication. They are verbal and nonverbal. The verbal communication is based on words. It includes oral and written communication in variety of forms from spoken language to written books and e-mails. Nonverbal communication consists of expressions, expressive behaviors and body language.

3 WHAT IS CULTURE

While studying communication in intercultural context one cannot ignore the importance of cultural differences and their effect on communication. We all have an idea when we talk about cultures. The most usual example is the national culture i.e. Finnish culture or French culture. However, there is a multitude of different cultures from Western culture to our family culture. Because of different cultures at different levels, it is hard to grasp the clear meaning of culture. Even if everyone has a hunch about the meaning, let's look into the matter through culture studies from Geert Hofstede, Edward Hall and Helen Spences-Oatey.

Hofstede see culture as being somewhere in between the human nature, which is the same for everyone and cannot be changed, and individuals own personality. He says that culture is "the collective programming of the mind which distinguishes the member of one group or category of people from another" (Hofstede, 1994). According to Hofstede culture is not a set of instincts, reflects and reaction that are present in every healthy human being. These traits are i.e. the universal reaction to a smiling by smiling back and the ability to feel empathy. On the other hand, culture is not one's personality, which could be seen as the personal traits that have their origin in genetics rather than upbringing. Culture has also its binding property, which categorizes people into different cultures and distinguishes from others.

According another cultural theorist Edward Hall culture is greatly subconscious. He states that "culture has always dictated where to draw the line separating one thing from another." These lines are arbitrary, but once learned and internalized they are treated as real" (Hall, 1983, p.230).

Hall says that from an objective point of view, a specific culture does not have any meaning. The culture begins to have meaning only in subjective, culture holders point view. When culture is examined from subjective point of view, it is not perceived as culture, but reality. Different cultural components set the limits for what is culturally acceptable. From subjective point of view, one's own cultural characteristics are often revealed only after being exposed to another culture. Therefore, we do not consciously think about our culture, but always act accordingly.

Helen Spencer Oatey (2000) describes the functions that culture performs. In her view culture "is a fuzzy set of attitudes, beliefs, behavioral norms, and basic assumptions and

values that are shared by a group of people, and that influence each member's behavior and his/her interpretations of the "meaning" of other people's behavior.”

The beginning of her definition goes along with theories of Hall, but she develops the idea further by stating that culture affects the behavior of a subject but also it affects the way one interprets other people’s behavior. This is a very important notion and especially useful in cross-cultural communication.

Culture can be seen to consist of various levels. One of the most popular analogies for culture is the Iceberg Model which was introduced by Edward T. Hall (Beyond Culture, 1976). In this rudimentary model culture is seen as a two-part system: the visible tip of the iceberg and the invisible body. The first layer, the tip, consists of actual behavior and beliefs that are visible and can be monitored. The second, “underwater” layer is hidden and consists of deeper values and thought patterns which affect the visible behavior. Hall believed that one could discover the deep hidden values of a culture by carefully monitoring the visible behavior.

Geert Hofstede introduced the onion model which is a refined version of the Iceberg model (1991) According to him there are four layers which form a culture. These are symbols, heroes, rituals and values. Symbols, heroes and rituals belong to a group that Hofstede calls them practices for they are somewhat observable. But they also contain a hidden deeper cultural agenda which. The fourth layer is values and it is conceived to be the most hidden layer and therefore having the most profound effect on behavior.

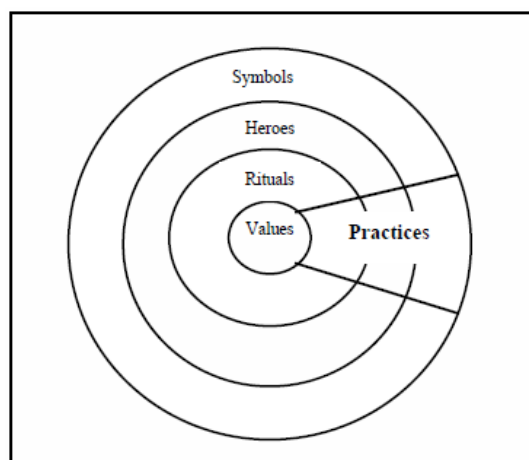


Image 1. “Onion” Diagram

Symbols are mediums which carry a certain meaning which can be recognized by those who share the culture. Symbols can be verbal such as words or nonverbal such as gestures, dress or logos.

Heroes are admired persons who are models of behavior. It doesn't matter whether a hero is alive or dead or real or imaginary.

Rituals are collective activities which do not seem to have any actual relevance in completing a task. But inside the culture they are considered essential and they are carried out for their own sake. Greeting, paying respect and other forms of etiquette are part of rituals.

Values

“Values are broad tendencies to prefer certain states of affairs over others” (Hofstede, 1994, p. 8, *Cultures and organizations: software of the mind: intercultural*. London, HarperCollins). The Values layer is in the core of culture and they deal with matters of good and bad, right and wrong and other fundamental ethical questions in a very broad sense.

Layers of culture show some of the basic ingredients of the hidden side of any culture. Although none of the layers are fixed or same for everyone in a particular culture, they are possibilities for identifying. If you accept the same values, heroes, symbols and rituals as everyone else, you will share a bond. You do not have to embrace every layer and might even have some totally opposite values and still be part of the culture. The very basic lesson from cultural layers is that the behavior in different cultures is only the surface and that there is a complex web of layers that together form the social construction also known as a culture.

4 CATEGORIZING CULTURES

In the following chapter I will make a theoretical overview of culture. First I will look at cultural divided by nationality, from a broad classification to a more detailed one. Second I will examine how to categorize organizational cultures and compare them with their national cultures. Finally I will discuss briefly about cultural stereotyping and its and dangers and benefits.

4.1 National cultures

National characteristics are stereotypes that are held about a specific national group. National characteristics are subjective perceptions and may or may not represent the actual characteristics of the group. According to Oxford Dictionary of Current English (2006, Oxford University Press), stereotype is an “oversimplified idea of the typical characteristics of a person or a thing”. National characteristics are probably as artificial as nations themselves but it does not mean that they do not have any value. Even if they cannot be applied on individual level their value derives from mutual collective decision to accept a certain set of characteristics as national. This means that these characteristics are also seen to apply on individual level and therefore they are perceived as positive. Even the negative characteristics are in the end part of the national character and therefore in some way accepted or even admired. In this context national characteristics may be a way to find the underlying cultural values.

Next I will go through the basic concepts of modern cultural theory. First I will present a broad classification of cultural dimensions by Edward T. Hall. This is followed by a more detailed classification from a few contemporary theorists on cultural dimensions.

4.1.1 High and low context cultures

Anthropologist Edward T. Hall proposed a cultural framework in which he argues that “all cultures can be situated in relation to one another through the styles in which they

communicate” (Beyond Culture 1976). Hall’s first concept of culture deals specifically with communication. He presents an idea about high and low context cultures in his book *Beyond Culture* (1976). The terms explain how much a person assumes the other person knows about the topic of their conversation. Hall explains the terms as follows.

“A high context (HC) communication or message is one in which most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message.”

“[In low context (LC) communication] the mass of the information is vested in the explicit code”

This means that a high context message contains less information than a low context message. For a person coming from a high context culture the message contains only the essential because the receiver already knows the context. For a person from low context culture the context of the message is presumably unknown and therefore the message itself must contain all the necessary information.

High Context Cultures
Japan
Arab Countries
Greece
Spain
Italy
England
France
North America
Scandinavian Countries
German-Speaking Countries
Low Context Cultures

Table 1: High Context – Low Context Cultures (Hall, Hall, 1990)

4.1.2 Monochronic and polychronic cultures

Hall’s second concept deals with how we perceive time. He divides our perception into two opposing categories: **monochronic** and **polychronic**. “Monochronic cultures stress a high degree of scheduling, concentration on one thing at a time (...), and an elaborate code of behavior built around promptness in meeting obligations and appointments.”

Hall states that monochronic perception of time was born from the industrial revolution. Polychronic mindset is the exact opposite of monochronic time. Schedules and appointment are seen as artificial and arbitrary. Unlike in monochronic cultures where one thing follows another, in polychronic cultures everything is happening, starting and interrupting at the same time.

The following list will demonstrate the differences.

Monochronic People	Polychronic People
do one thing at a time	Do many things at once
concentrate on the job	are highly distractible and subject to interruptions
take time commitments (deadlines, schedules) seriously	consider time commitments an objective to be achieved, if possible
are low-context and need information	are high-context and already have information
are committed to the job	Are committed to people and human relationships
adhere religiously to plans	change plans often and easily
are concerned about not disturbing others; follow rules of privacy and consideration	are more concerned with those who are closely related (family, friends, close business associates)
show great respect for private property; seldom borrow or lend	borrow and lend thing often and easily
emphasize promptness	base promptness on the relationship
are accustomed to short-term relationships	have strong tendency to build lifetime relationships

Table 2. Monochronic vs. Polychronic traits

4.1.3 Five cultural dimensions

Perhaps the earliest theory of cultural dimensions was introduced by Geert Hofstede, a Dutch social psychologist and anthropologist. Hofstede conducted research in during 60's and 70's based on survey questionnaires collected by the computer giant IBM among its employees. The data was collected from all around the world and it comprised around 20 different nationalities (Hofstede, 2010)

In his research Hofstede came up with four universal problems with answers that depended on which culture one came from. In the late 1980 a fifth dimension was added based on comparing Hofstede's studies with other similar studies. The five cultural dimensions are as followed (Hofstede, 2005).

Power Distance Index (PDI) / Egalitarianism

The extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.

In cultures which accept low power distance, the leaders are expected to be less authoritarian and more democratic. People do not conceive themselves as being higher or lower in the hierarchy but more as equal. The leaders are therefore expected to consult their subordinated when making decisions. For high power distance cultures it is expected of their leaders to show their authority. It is generally accepted that the people higher in hierarchy enjoy more de facto respect.

Individualism (IDV) / Collectivism

Individualism: Societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family.

Collectivism: Societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetimes continue to protect them in exchange for unquestioning loyalty.

In the IBM survey Hofstede found that people from individualistic cultures preferred *personal time, freedom* and *challenge* as the most important aspects of their work. The member from collective-oriented cultures preferred having *training opportunities, good physical working conditions* and opportunity to *use one's skills* on the job.

Masculinity (MAS) / Feminism

Masculine society: emotional gender roles are clearly distinct: men are supposed to be assertive, tough and focused on material success, whereas women are supposed to be more modest, tender and concerned with the quality of life.

Feminine society: emotional gender roles overlap: both men and women are supposed to be modest, tender and concerned with quality of life.

Masculine work goal items were the opportunity for *high earnings*, get *recognition* when you deserve it, have an opportunity to *advance* in the hierarchy and getting personal sense of accomplishment through *challenging work*

Feminine work goal items were having a good relationship with the *manager*, *cooperating* with your co-workers, living in *desirable area* and having *employment security*.

Uncertainty Avoidance Index (UAI)

The extent to which the members of a culture feel threatened by ambiguous or unknown situations

Three work goal items showed a strong correlation with high will to avoid uncertainty. Experiencing job stress, being strictly rule-oriented and intent to work for the company for long-term

Long-Term Orientation (LTO) / Short-Term Orientation

Long-term orientation: The fostering of virtues oriented towards future rewards - in particular perseverance and thrift.

Short-term orientation: The fostering of virtues related to the past and present – in particular, respect for tradition, preservation of “face” and fulfilling social obligations.

SHORT-TERM ORIENTATION	LONG-TERM ORIENTATION
Efforts should produce quick results	Perseverance, sustained efforts toward slow results
Social pressure toward spending	Thrift, being sparing with resources
Concern with personal stability	Concern with personal adaptiveness
Concern with social status and obligations	Willingness to subordinate oneself for a purpose
Concern with “face”	Having a sense of shame

Table 3. The Key Differences Between Long – and Short-Term Orientation Societies

4.1.4 Linear-, multi-active and reactive cultures

Richard D. Lewis introduces a rough culture categorization that is based on three groups of cultures (Kulttuurikolareita, 1995). These are linear-active, multi-active and reactive cultures. This categorization includes different concepts of time, space and communication styles etc.

Linear-active cultures

Linear-active cultures see things linearly. There is always a right order of things: question-answer, start-finish. The mindset for these cultures is very systematic. That means that they first finish the things they started before rushing to start another task. Rules and regulations, time schedules, logic and facts play a huge importance in linear-active cultures.

The concept of time in linear-active cultures is straightforward. They see time as a linear sequence during which things are done in a logical, systematic order; one thing at a time. Time schedules are very important for linear-active cultures because they determine the right order and duration of things. This leads to high efficiency which is part of their goal-oriented mindset. Members of linear-active cultures can become very frustrated when they encounter cultures which do multiple things at the same time and do not appear to concentrate on the task at hand.

Linear-active cultures are keen on categorizing the world. They perceive that there is such thing as the truth which is absolute. Facts are important for linear-actives. When there's an argument, it's the facts fighting, not the people. Therefore it is the logic and absolute truth that are more important than relationships between people. In any case, the relationships are already predetermined and based on strict hierarchy. The relationships are quite straightforward and there is little subtext and little space for interpretation. Anglo-Saxons, Scandinavians, Germans, Dutch and Swiss are typical linear-active cultures.

Multi-active cultures

Multi-active cultures are not systematic as linear-active but rather live through improvisation. They usually conduct multiple affairs simultaneously and have rather loose schedules if any. They don't believe in strict rules and they see contracts as guidelines which can be altered if there is a change in situation.

Multi-active cultures are multi-tasking by nature. They do multiple things at the same time and they are used to altering circumstances and are therefore very flexible. If a change is needed, then strict rules and precise contracts stand in the way. For multi-active cultures a quick change is not a problem because there wasn't an absolute agreement in the first place. Instead of concentration on the facts and figures, multi-active cultures are highly people-orientated. This means that social and professional lose their boundaries and become mixed. Relationships are the thriving force behind multi-actives and it also shows in their communication style

Multi-active cultures are verbally skillful. They usually talk most of the time and don't fear to show their feelings. Multi-active cultures are socially savvy and use much body language and emotions when talking. Unlike in listening cultures, multi-actives have a very proactive approach to talking. They will talk a lot and possible to different people at the same time. It has to be noticed the concept of absolute truth and strict contract have to submit in the face of relationship and on-going circumstances. Multi-active people are used to express themselves verbally and emotionally. Because of this, they have hard time enduring silent moments and non-verbal communication.

Reactive cultures

Reactive cultures are also known as listening cultures. As the name suggest, they are usually not the proactive ones but prefer listening other people's suggestions and then contemplate what should be done. Reactive cultures are usually of eastern origin. Especially Japan, Taiwan, Korea and Finland are reactive.

It is common for members of reactive culture to conceal their feelings. This can also be seen as long patience, politeness and indirectness. Reactive cultures tend to be diplomatic and that put much emphasis on the relationship between people. Reactive cultures do not like confrontations and instead of agreeing or disagreeing, they prefer asking additional questions to better understand what's really been said. Non-verbal communication is an essential part of reactive culture.

Conversations in reactive cultures are turn-based. Reactive cultures listen closely what the other person is saying without interrupting. After the other person stops talking, there is usually a pause which lasts for an appropriate amount of time during which the member of reactive culture contemplates of what had just been said. Excessive use of language is seen as suspicious. It is seen as if the speaker is trying to deceive the listener with the flow of information. It has to be understood that reactive communication is

more subtle than, for instance, in linear-active cultures. More emphasis is put on contemplation. Thus, unlike in linear-active cultures, reactive cultures prefer monologue instead of dialogue. Monologue is focused on the topic at hand and it often requires that participants are experts on the subject.

4.2 Organizational cultures

As presented by Gareth Jones (2009), organization culture is “the set of shared values and norms that controls organizational members’ interactions with each other and with suppliers, customers, and other people outside the organization”. It is a strong force because it also “controls coordination and motivation; shapes behavior of people and the organization. But on the other hand it is “shaped by people, ethics, and organizational structure.” As any culture, also organizational culture is never static but it “evolves as organization grows and differentiates”.

Richard L. Daft (2007) underlines that “everyone participates in [corporate] culture, but culture generally goes unnoticed.” He suggests that only when the prevailing culture is challenged in some way does the culture really show its power.

Daft also introduces the idea of *social capital*, a concept closely related to organizational culture. “Social capital” according to Daft “refers to the quality of interactions among people and whether they share a common perspective”. Shared culture, i.e. values and norms, can boost social capital but essentially it is mostly build upon “honesty, trust and respect”. That is the underlining practical aspect of organizational culture. It unites people, adds goodwill and facilitates cooperation so that the members of the organization can work effective and without frictions.

As in the field of cultural theory, organizational culture theorist has categorized different organizational cultures by forming dimension. Next I will look into *dimensions in organization cultures*. Organizational culture studies mostly cover the issue from business perspective.

Richard Gesteland has developed a framework called the Four Cultural Value Patterns aka Logical Patterns that deals with different cultural characteristics. The main focus in these dimensions has been that of business.

Deal-Focused (DF) vs. Relationship-Focused (RF)

This pair of patterns is sometimes called as “The Great Divide” when it comes to differences in corporate cultures. Deal-focused people are task-oriented. For them it is the goal that matters the most, not how one gets there. Getting things done is the number one priority for DF person. Relationship-focused person is people-oriented. For them business should be done by building a personal relationship first. This may easily cause a conflict between deal-focused and relationship-focused people. For a RF person, DF person’s straightforward mentality feels offensive if not aggressive and blunt. On the other hand DF people see RF people to be incomprehensible, vague and to have a tendency to procrastinate.

Deal-Focused cultures: North-America, Australia, North Europe

Relationship-Focused culture: Arabia, Africa, Latin America, Asia

Informal vs. Formal

The big difference in this pattern arises from cultures’ view on equality. Informal cultures tend to be highly egalitarian and they do not value hierarchy or status. Formal cultures are usually hierarchical and therefore emphasize their status. Informal people may offend formal people by not treating them according to their status. Formal people may upset informal people by questioning their equality.

Informal cultures: United States, Australia

Formal cultures: most of Europe, Latin America

Rigid-Time vs. Fluid Time

People from Rigid-time cultures obey the clock and the calendar. For them time and scheduling are important. For people from Fluid-time cultures schedules and deadlines are artificial. Rigid-time cultures see the other party as lazy and irresponsible. Fluid-time cultures feel that their counterparts are arrogant and too demanding.

Examples: See Hall’s Monochronic and Polychronic Cultures

Expressive vs. Reserved

Expressive cultures communicate with a quantity of words, volume, expressions and gestures while reserved cultures' way of communication is much more inhibited. This difference will cause major communication problems. The expressive party thinking that there is no communication and the reserved party thinking that the other party is angry.

Expressive cultures: Latin America, Mediterranean

Reserved cultures: East and Southeast Asia, Germanic Europe

4.3 National culture's effect on organizational culture

4.3.1 Centralized, decentralized and formalized coordination

According to Daft there is a strong correlation between national cultures and different management structures across countries. Even though one cannot claim that these generalizations would be accurate in every case, it is clear that in certain countries the tendency to select a specific kind of organizational structure is apparent. However, businesses are going global which undisputable puts pressure on any national organizational structures.

Centralized Coordination

In a centralized organization structure decision-making is *centralized* so that only the top managers have the authority to make decisions. Centralized structure is used when a company wants to have all its resources located at one place. Centralized structure resembles a basic top-down hierarchy. This kind of structure is very natural for highly hierarchical cultures such as Japan and China. According to Daft Japanese tend to favor more centralized structures than German when expanding abroad. German companies are more likely to decentralize their R&D operations in different countries.

In a case study "Global Values and Norms Affect Organizational Culture" (Jones, p. 205) two glass-manufacturers, a Mexican Vitro and American Corning Glass, form a joint venture but run into dispute because of cultural differences. In this case the more hierarchical Mexican culture had greatly formed the organizational structure of Vitro. The decision making was centralized so that only a small top-management could make

them. This was a clear hindrance for the quick paced Americans who had a highly decentralized structure which enabled them to make very fast decisions. At the end the venture had to be discontinued.

Decentralized Coordination

In a decentralized organization structure decision-making is *decentralized* so that there are managers on every level of hierarchy who have power to make decisions without consulting the top management. Decentralized organizational structures are used when the size of the organization gets too big or when the competitive situation requires quick decisions.

According to Daft European firm favor a decentralized approach when embarking on international ventures. In these situations other organization design methods such as a strong mission and shared values are used to create control. This means that individual branches of international European companies can make individual decisions which may.

In a Case “Chinese Firms Going Global” (Jones, p. 203) huge problems emerged after a Chinese manufacturing firm started a joint venture with an American firm an imposed its own organization structure on it. The new “micromanaging hierarchical system” was frowned upon by the Americans. They complained that they had lost their autonomy and that their Chinese managers started scrutinizing their working hours.

Formalized Coordination

Formalized structure is based on standardization. The goal is to create control and coordinate subordinated, not through direct orders but through written codes of conduct, rules, manuals, job descriptions and such. Formalized structure means that although the decision making is decentralized abroad, it still has to follow the written and specified policies. Much information is also collected and reviewed to maintain a control over system. This structure gives room for managers to act according to their specific situation but it also limits the possible decisions to those already defined in the “manuals”.

American companies going global are experts in using the formalized coordination. The closes example for many of us is the fast-food chain McDonald’s. Where ever you go you can be sure to find the same Golden Arches and the Big Mac. “[A formalized

structure] is an advantage for them because it allows McDonald's to produce a uniform product around the world at minimum cost" (Carpenter, Bauer, Erdogan).

Weber and Camerer studied the impact of culture on merger failure. They formed "firms" and gave the participants a task to form a culture of conduct. After that they gave them tasks and evaluated their results. After that the different "firms" were merged and given another set of tasks to complete. This time the newly merged firms scored worse than they did before. The conclusion was that conflicting organizational cultures causes a decrease in performance. When the researchers interviewed the participants they found that the participants overestimated the performance of the merged firm but blamed the other firm for the decrease in score. The participants failed to recognize the differences culture as the cause of lower scores. This example implies that even in very small scale conflicts culture can cause major difficulties. Furthermore, the underlying reason behind the problems was not discovered but instead the participants started blaming the other "firm". This in turn makes it harder to solve culture related conflicts.

4.3.2 Four organizational culture types

In the next chapter I will introduce the four organizational culture types as presented by Bruce M. Tharp (Four Organizational Culture Types). These types specify the motives, priorities and focus in each archetypal organizational culture.

Collaborate (Clan) Culture

Collaborate culture values relationship over creativity, competition and control. The binding forces are group loyalty and shared customs. Focus is on long-term development and investing in human capital. Being part of the team is essential virtue and consensus is valued over individual heroism. People are viewed as a valuable resource and development of this human capital is essential value.

Create (Adhocracy) Culture

A culture that embraces individual creativity and pioneering spirit. It is a dynamic culture that tries to be on the edge and be innovative. Experimentation and risk-taking bind the organization. Create culture tries to think differently success is measured by creating new products and services. Individuals are given high level of freedom and

they are expected to take initiative. Growth through new pioneering fields is what motivates the organization.

Control (Hierarchy) Culture

A rule-based culture in which procedures and actions are highly standardized and formalized. The hierarchy is usually also very formal. Control culture is like a well-oiled machine where each cogwheel knows its place. The greatest binding forces are its formal policies. Predictability, efficiency and stability are of high value. Control culture strives towards a smooth-running operation and tries to avoid uncertainty.

Compete (Market) Culture

A culture that seeks better performance and results. It is not the means to an end that counts but the goal itself. Compete culture is highly competitive both outside and inside the organization. Productivity is emphasized and winning is the binding force. Reputation and success are the measures of one's value to the organization. Success is determined by measurable goals such as market share.

4.4 Dangers of cultural stereotyping

Since the beginning of the thesis I have presented cultural theories, dimensions and talked about national and organizational cultures. For businesses operating in the international environment it is essential to be culturally conscious because cultural differences, as I have argued, are a major source of conflict and can hinder even the most prominent deal. While this holds true, it does however present a following problem. To be culturally conscious means that one is able to identify with someone from another culture. For this purpose one learns about space and time concept, cultural dimensions and local customs and etiquette. Here lies the danger of cultural stereotyping. As much as we may want to learn about other cultures we can only grasp so much.

“Cultural stereotype; perceptions and preconceived ideas held about other cultures in international markets” (Michelle Carr, Cultural stereotyping in international business relationships)

There are many studies about cultural differences and theories about dimensions but there are not that many studies on how cultural stereotyping affects international business. Michelle Carr has studied the impact of cultural stereotyping in the early stages of buyer/seller relationship:

“Individuals did hold preconceived ideas about different cultures and these ideas could hinder future business with the organization in question”. She continues that that “most [parties] were aware of the preconceptions held by individuals but also each business individual should enter a transaction mindful of the other’s culture and their own preconceived ideas held about that culture”

Some interviewees underlined that they recognized that the other party had a preconception about him/her and that one should not let that be a distraction. According to Carr’s studies the effect of stereotypes in the early stages of business relationship decreases after the relationship develops.

5 NEGOTIATION IN A MULTICULTURAL ENVIRONMENT

According to Oxford Dictionary negotiation is a “discussion aimed at reaching an agreement”. On a more detailed level negotiation is about exchanging information between negotiators, affecting others’ decisions through different strategies and managing and resolving conflicts (Kumar, 2005).

Cultural differences in inter-cultural negotiations can affect the length and quality of a negotiation (Cohen, 1997). It is clear that negotiation conducted between partners of the same culture differ from those conducted between partners from different cultures. This leads to changes in negotiation game.

It may come as a surprise that some basic assumptions are not shared by the member of the other culture. Both sides may actually have little or no understanding of the goals and priorities of their negotiating partners. This can lead to ineffective information sharing, different targets and finally a conflict between partners. (Bazerman, Curhan, Moore, Valley, 2000).

Managing one on the global arena requires that changes are to be made to one’s negotiation game. When dealing with other culture it is good to understand that one already has preconceptions also known as mental models in our heads. These are ways of thinking. For example, every culture reacts strongly to unethical behavior. We may assume that unethical behavior is something that every culture dislikes. This may indeed be true but in a multicultural environment the term unethical proves to be a very broad term. For example, for some cultures it is unethical to break your promise, contract or an agreement. But for others breaking a contract that proved to be unfair is not unethical. Following an unfair agreement on the other hand is not accepted. These cultures tend to respect the relationship more than formal agreements.

Culture affects negotiations process as well as preferred negotiation strategies. Broadly speaking and stereotyping some cultures prefer win-win strategies while some try to over-power their business partners. For some cultures the process consists of making agreements step-by-step. Other cultures underline the importance of building a lasting and harmonious relationship. Building a relationship may sometimes require deception. "Members of collectivist cultures were more likely than member of individualist

cultures to use deception, typically as a means of saving face, avoiding confrontation or preserving harmony." (Bazerman, Curhan, Moore, Valley, 2000). In these cultures using deception to gain greater good is not seen as unethical.

6 CULTURAL CONFLICTS

6.1 The Origin of Conflict

“Culture is the set of solutions that a society has evolved to deal with the regular problems that face it (Trompenaars, 1996). Because societies face different environments, it is reasonable to expect they will develop different cultural characteristics.”(Tinsley)

“Thus, cultural differences tend to be a matter of proportions; culture A is relatively more hierarchical than culture B, meaning A’s members espouse hierarchical values more often and under more circumstances than B’s members.” (Tinsley)

“Conflict is defined as an incompatibility of goals or values between two or more parties in a relationship, combined with attempts to control each other and antagonistic feelings toward each other (Fisher, 1990).”

I have concluded in the beginning of this thesis that successful communication plays a huge role in cross-cultural relationships. Not only does a foreign language (in some cases for both parties) present a problem of understanding but also different cultural quirks come to play in international arenas. The tragedy with conflicts that arise from miscommunication is that there might not be a real source of conflict after all. But the situation is perceived to be conflicting even though, in fact, the parties have just failed in delivering their message as they ought to have. Apart from “merely” communicational conflicts, which should be easy to fix once the participants figure how to get the message through, there are also more tangible conflicts which emerge from different goals or preferences. According to Daniel Katz (1965) there are three basic sources of conflict: Economics conflict, Value conflict and Power conflict. According to Daft (2007) there are four important characteristics which can be the source of conflict inside an organization. These are *limited resources, differentiation, goal incompatibility and task interdependence*. I will look at Daft’s inter-organizational conflict model as part of Katz’s main sources of conflict.

Economic Conflict

Economic conflict arises when each party wants to maximize their gain on a scarce or painfully acquirable resource. This conflict arises everywhere from sandbox games to making a budget. The conflict is about sharing. Daft (2007) calls this phenomenon *Limited resources* when the conflict arises inside an organization. It means that a company has limited amounts of money, workforce, materials etc. Conflicts may arise when groups start to fight over those resources.

Value Conflict

In a value conflict the parties have a different understanding a right ideology or the way things should be done. Even though the value conflict is closely related to ineffective communication especially if it rises from different etiquettes, in its essence it's much more profound. Value conflict arises when the parties question the other's core beliefs. These include what is right or wrong and the choice of the political system. In Daft's inter-organization model the value conflict can be seen as *differentiation* which is defined as "the differences in cognitive and emotional orientations among managers in different functional departments." This means that different kind of posts inside the organization requires certain skills, educational background or personality. Also the department itself has an effect on the people who work there. Therefore huge differences can rise between different divisions or departments in an organization.

Power Conflict

Power conflict occurs when one group tries to dominate another. In a social relationship power conflict creates inequality because one of the groups has more influence than the other. Power conflict resolves when one group can claim victory and the other is defeated. If both of the groups try to out-power each other, the situation might freeze. Winning a power conflict can be advantageous for the winner at first but the problem of inequality remains. This will hinder cooperation because every situation will be a fight over power. Daft's *Goal incompatibility* characteristic is related to power conflict and refers to situations in which the goals of different group within an organization are different or even opposite. Accomplishing one's goal may hinder the other groups' chances in achieving theirs. When each group acts solely according to their individual interest a conflict may arise.

Daft had a fourth characteristic called *Task interdependence*. It is a situation in which a part of the organization is dependent on another to supply for various resources. When interdependency increases so does the need for coordination and communication. This in turn increases to possibility for conflict. Although there is a resource dependency, it is not one of Katz's *economic conflicts*. It is a remainder of the overall difficulty of communication. When the need for communication (and coordination) increases major conflicts can arise. These can lead to economic, value of power conflicts although that underlying problem is the lack of communication.

6.2 How to approach conflicts

The next chapter will present two ways of looking at conflicts. First is a win-lose system introduced by Blake, Shepard & Mouton (1964). The second one is an IRP – Framework for Dispute Resolution by Catherine Tinsley (2001).

6.2.1 Win-Lose-Win approach

Win-Lose Approach

Win-Lose approach is taken by groups which believe that dominance is the only way to gain. They also believe that “what one party gain, the other loses”. There are many way to get the dominance, from aggression to voting and game of rock-paper-scissors, but the main idea of us and them prevails. Because of the nature of Win-Lose Approach, one group is always dissatisfied. This will lead to a vicious circle in which the every losing party will continue the conflict until it reaches the winning position. This is the approach taken by group in *Power Conflict*. As I mentioned earlier, there are only winners and losers in a power conflict. The long-term effect of Win-Lose approach is that both parties lose more than they gain.

Lose-Lose Approach

The idea behind the Lose-Lose approach is to minimize losses. Both parties see conflict as inevitable and do not want to start a vicious circle. Instead they make a basic compromise so that they both acquire something they desire but at the same time they both give up something they wanted. If the resources are scarce and the conflict is stagnated Lose-Lose approach is a very easy but crude way to resolve the dispute.

Win-Win Approach

In the first two approaches only one or neither of the parties benefited from the outcome. The idea behind Win-Win approach is to maximize each party's needs so that the final outcome is greater than each group could achieve by themselves through "victory" or "forced compromise". In this approach the parties work side by side trying to solve the problem as a single group. Each party's problem becomes one and solving it a mutual goal. This method requires a good amount of communication and coordination and therefore conflict resolution becomes healthy relationship-building. The aggressive, coercive or dominative methods are not used. Win-Win approach

6.2.2 IRP – Framework for Dispute Resolution

Catherine H. Tinsley (2001) has done research on dispute resolution studies and found that most studies come up with same kind of resolution tools. Her version IRP (Interest, Right, Power) framework tries to simplify to previous approaches. IRP framework consists of three strategies, namely *Interest strategy*, *Right strategy* and *Power strategy*.

Interest strategy

Interest strategy promotes collaboration by focusing in both parties' interests. "Interests are a party's true needs, concerns, or fears, which underlie party's stated position." Interest-based strategy gives each party an opportunity to express their true goals enabling thus better understanding of each other. The interest strategy resembles the win-win approach (Blake, Shepard & Mouton, 1964). By openly revealing the reasons behind their claims, parties can facilitate the negotiation by removing the unessential quarrels. Interest strategy requires trust among both parties both also acts as a relief valve by given parties opportunity to express their views.

Rights strategy

The rights strategy is based on the notion of recognized, formalized and objective standards. These standards can be anything from the law to any formal contract or standardized procedure. Each party's claim is evaluated by consulting the regulation which is seen to control the situation at hand. The regulation or standard serves as the highest authority. Both parties try to justify their claims with certain rights. The conflict comes to an end when both parties recognize the same independent standard and then

just follow its proposal. Right strategy “smoothes out the emotional tension because it legitimates and thus provides a basis for parties to feel that they achieved a fair outcome.”

Power strategy

Power strategy relies on force that parties are willing and capable of inflicting in pursue of their solely personal goals. Coercion is used to influence the behavior the other party. Power is based on alternatives that both parties have. Those using the power strategy are not dependent on the other parties and have more alternatives. Alternatives themselves are based on resources which range from tangible resources such as money or access to raw materials to social capital. The winner of power strategy is the one capable of enforcing one’s claim the best. In a situation in which both parties have the same amount of alternatives the power strategy might prove disastrous for both parties. When no one is capable of overcoming the other a mutual destruction is a threat. If successful, the power strategy satisfies the needs of the winner but it does not give an appropriate conclusion for the loser and it is therefore risky. It is a “winner takes it all” situation.

According to Tinsley some cultures have been found to favor certain strategies. For example, the rights strategy is used by cultures with his respect for egalitarianism such as Germanic cultures. (Tinsley, 2001). The effective use of the rights strategy insists that there are commonly known rules, laws or other formal rights, all parties know them and also recognize their legitimacy. Another strategy, namely the power strategy is favored by East Asian cultures. Contrary to egalitarian cultures, East Asian cultures are highly centralized and hierarchical. In the rights strategy, it was necessary to be able to recognize different rules. For the power strategy, it is the amount of power that has to be mutually appreciated. For East Asian cultures hierarchies, among other things, serve as an objective measure of power and thus enables these cultures to use the strategy effectively. In egalitarian cultures a strict hierarchy might not be recognized and could not therefore act as effective strategy. Unlike the rules, laws and contracts which are of high authority in i.e. Germany, in East Asia social status is the real source of power. Even though one strategy might be favored over the other, Tinsley argues that “cultural differences tend to be relative.” It means that one culture may prefer a strategy both they still used them all. It is the context of the negotiation which determines the strategy, not the culture.

7 INDIAN CULTURE AND COMMUNICATION

7.1 Cultural values and characteristics

The next chapter will look into Indian culture through cultural values, Geert Hofstede's *Five Cultural Dimensions*. Indian communication will be analyzed with Richard D. Lewis' communication model based on linear-, multi- and reactive cultures.

7.1.1 Cultural values

Indian has been the hub of the eastern world for centuries. During this time it has been conquered countless times and therefore been subjected to a wide variety of cultural influences.

The three basic building blocks of Indian value system are Hinduism, fatalism and collectivism.

Hinduism is the most common religion in the country and it has also had a profound cultural effect. The values behind Hinduism can be seen in different form throughout India from the rural areas to the technology-driven city of Hyderabad. The caste system was a major part of Indian culture and even today one can see that there lie strict hierarchies in Indian society.

Fatalism is a very important part of Indian beliefs. Indian culture is highly spiritualistic which still influence people's way of thinking. Indians generally believe in Karma which means that every action has a consequence and there is reason for everything that happens. This means that logic doesn't necessarily play as big part as we might assume.

Collectivism is truly a great value in a country where privacy is seldom heard of. This collective behavior relies on communities and gives individuality smaller respect inside the group. It also emphasizes social interaction and the importance of relationships. Family-orientation is greatly valued and the honor of family and group.

The long commercial history of India and vivid social interactions, have made Indian trade savvy. They like to bargain and see business as a game. This makes Indians hard bargaining partners and one has to have the patience and intelligence to come to an agreement.

The concept of self-made man is admired in India. Entrepreneurship is greatly valued which has led to high level of experimenting and risk-taking. The ability to solve problems is very appreciated. However, this do-it-yourself mentality doesn't belittle the importance of family, group or hierarchy which lies at the centre of Indian value system.

7.1.2 Cultural characteristics

In this chapter I will analyze Indian culture and communication preferences by applying the various cultural frameworks as presented earlier. These frameworks are “The Five Cultural Dimensions” by Geert Hofstede and Richard D. Lewis’ “Linear, Multiactive and Reactive cultures”. I will try to form a clearer picture of what is essential to Indian communication style. First I will apply each framework separately to gain insight into the culture and then build a greater picture of the Indian culture

The Five Cultural Dimensions

The following text will present Indian culture as seen by Geert Hofstede's five cultural dimensions:

Power Distance: India ranks high in Power Distance among the studied cultures. Its ranking is 77 compared to a world average of 56.5. High power distance means that inequality is accepted. This leads to unequal distribution of wealth and power within the society. It also encourages the formation of hierarchies.

Uncertainty Avoidance: India rank low in Uncertainty avoidance at 40 compared to a world average of 65. Ranking low means that Indians accept uncertainty and unstructured systems and situation are not avoided. Having low uncertainty avoidance could mean that

there are fewer rules and standards which control the future situations. It could also improve improvisation skills.

Individualism: India ranks 49 compared to world average of 43 in individualism. This means that India is modestly individualistic country. Both individuals and the group are important to them.

Masculinity: India's masculinity is 56 compared to world average of 51. The higher the score, the more men are assumed to act masculine and women feminine.

Long-term vs. short-term orientation:

India's Long-term orientation rank is 61 with a world average of 48. Higher score means that Indian value more long-term benefits compared to short-term benefits. In business context building a lasting relationship that will be beneficial in the future is preferred over short-term gains

Multiactive Indians

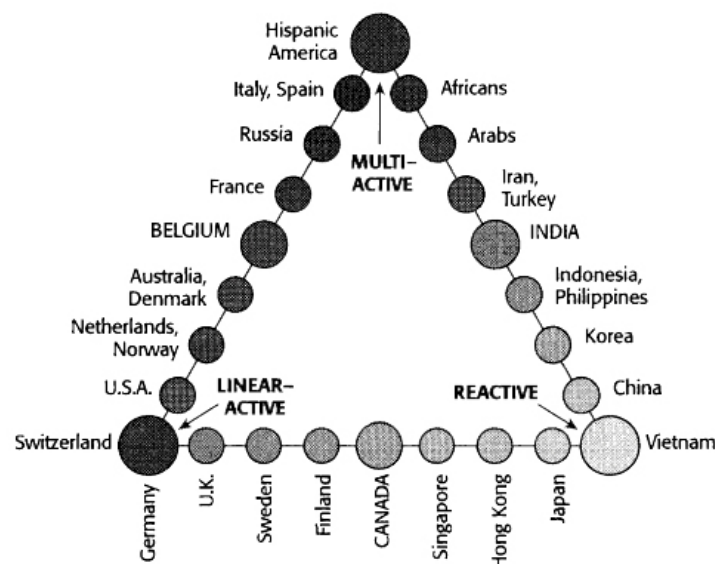


Image 2: Cultural categories of communication (Lewis, 2005)

According to Lewis (2006, 434-340) India is in the middle on the reactive-multiactive scale. Being multiactive Indians are extrovert, talkative and emotional. According to Salacuse (1998) 56% of respondents see that they are high on emotionalism. Also 89% preferred high risk taking compared to low. In India professional life and family affairs are mixed (Lewis, 1999, 340-346). Salacuse's survey found out that 67% think that in a

business negotiation building a relationship is more important than getting a contract. This can lead to unpunctuality in strict schedules but also extends the business hours and thus creates flexibility.

Indian people also possess traits from reactive cultures (Lewis, 2006). For instance, keeping face and avoiding humiliation are extremely important. Pushing things forward more quickly can be seen as disrespectful. Although multiactive to large extent, Indians are willing to listen at length to a good speaker if they want to build the relationship. Because the relationships are more important than facts the truth can also be negotiable.

However, the Indian culture differs a great deal from East Asian countries like Japan, China and Korea. Their communication style is more verbose than countries like Japan or China. Indians are less reactive than their East Asian neighbors and tend to show their feelings openly instead of trying to conceal their emotions.

Indian communication style has traditionally followed that of a High Context (HC) culture. Part of the global economy India is changing rapidly and there are signs of westernization. This has affected Indian communication styles which are beginning to resemble those of a Low Context (LC) culture. In a traditional Low Context culture several affairs are done at the same time which leads to flexible timetable. LC culture puts people and relationship first and schedules can be changed easily if the circumstances change. This doesn't work well with the High Context (HC) mindset where each task has a specific timeslot during which it is supposed to be done. (Chella, 2007)

Traditionally India has embraced more Asian values from cultures such as Japanese. Indian value harmony, patience, politeness and smooth running relationships,

Alexius Collette from Phillips sees that Indians are respectful and in a social situation they are always evaluating their social position (Forbes India, August 2009). Because of the vertical nature of the culture Indians like to be sure of their own status in the hierarchy. Loyalty to the group hierarchy means that Indians are not keen on challenging their superiors and elders.

Collette Continues that Indian respectfulness can sometimes lead to pleasing people too much. If the boss confronts his/her employee and ask when the project is going to be

finished the employee might want to sweeten the truth. Indians try to keep a harmonious relationship but that could lead to conflicts when the project runs late.

7.2 Communication in Business

This chapter will look into Indian communication from business point of view. Indian communication is analyzed by underlining their negotiation behavior, organizations and leadership styles.

7.2.1 Negotiation styles

Andrew Horne of Xerox India (Forbes India, September 2009) points out that even small issues are often emotionally charged and people tend to express their feelings to their peers. Sometimes relationships may be more important than good business. This happened when Horne's sales team was able to close a big deal with a client. This was a huge success for the employees who were very excited about the deal. When Horne made a remark because of the pricing, the company did not make any money with the deal, the sales managers were astounded. For them closing the deal and building the relationship was more important than the money.

According to Lewis (2006) the Indian negotiation style is Win-Lose but he adds that Indians are also very flexible negotiations partners. India's hierarchical culture leads easily to a situation in which the more powerful party uses its resources to achieve the wanted result. If there is a clear power difference between the two parties the weaker should be beware that the more powerful party might try to force a deal. However hierarchical, Indians are more relation-ship focused (Salacuse, 1998) and are therefore "flexible" negotiators.

According to Lewis (2006) Indians are superior negotiators. As any multiactive culture, Indians are highly verbal and expressive of their emotions. The culture respects entrepreneurship do-it-yourself mentality which contributes to experimenting and high level of risk taking. According to Salacuse 89% of respondents think that their risk taking is high.

Indians view negotiation as a game of solving a problem (Kumar, 2005). They perceive that there is an ideal solution to the problem and they are willing to go to great extent in discovering it. The ideal solution to the problem is a transaction that is mutually profitable. 78 % of Indian managers in a study (Salacuse, 1998) claimed that their attitude towards negotiation was win-win as opposed to win-lose. When Catherine Tinsley's IRP Framework for Dispute Resolution is applied the Interest strategy might be preferred. Interest strategy promotes collaboration by focusing in both parties' interests. According to Kumar (2005), Indian managers have high aspiration levels. This can make Indian managers very competitive. According to Kumar in addition of being contentious, Indian managers are also indirect which makes it more difficult to know their motives. In a conflict situation it could be possible that Indian managers use the Power strategy (Tinsley, 2001) to force the opposing company to submit. This contending negotiation strategy combined with indirect communication style make Indians highly skilled in negotiation.

Indians might sometimes beat one at the negotiation table, but when it comes to deals and contracts they think about the relationship. The Indian way of looking at contracts is different from the Western way (Kumar, 2005). Western managers are likely to think that everything written in a contract obligations. Indian managers underline that a deal has to be fair if it is to be followed. So once again it is the ideal solution that Indians are after, a one that will benefit everyone and above all be fair.

7.2.2 Organization and Leadership styles

The idea that there is a strong correlation between national cultures and different management structures across countries was introduced earlier in the text (Daft, 2007). From Daft's three main organizational structures (centralized, decentralized and formalized coordination) India's culture hierarchical culture suggests that the favored organizational structure might be *centralized coordination*. In a centralized structure the power to make decisions is *centralized* to the top management of the company. It is the archetypical top-down organization. Salacuse's (1998) findings suggest that only 44% of Indian managers favor one leader to consensus in a team. Examples from western

companies with their decentralized and formalized organizational types might affect the future way of coordination in Indian companies.

From the four organizational culture types by Bruce Tharp specify the goals and motivations of different organizational cultures. Organizational culture has close relation to national culture but it can be affected also by the field of business. While it cannot be said that Indian companies have one specific organizational culture their national culture suggest that *Control (Hierarchy) culture* might be the least common. Control culture is a rule-based culture in which procedures and actions are highly standardized and formalized. It strives towards a smooth-running operation and tries to avoid uncertainty. According to Hofstede's Uncertainty Avoidance index, Indians are not afraid of surprises and unstructured systems. The popularity of the other organizational culture types (*collaborate, create and compete cultures*) more likely depend on other factors than national culture.

Although India is embracing globalization and its culture is changing they are still far from their western, linear active companions. India is still highly family oriented. In India grown-up brothers might live under the same roof. The honor of the family is very important. This honor code is used also in professional life where loyalty to the group is highly valued. As in many Asian countries, India is a hierarchical system when it comes to obligations and duties. Everyone has their place in the hierarchy which determines their duties and privileges. Many of the businesses in India today are owned and run by the members of the family (Lewis, 2006).

Even in non-family businesses there are very strong individuals at the top of the hierarchy. They are the ones making the decisions (World Business Culture website). It is expected that any instructions coming from above are given in an authoritarian way. Instructions are expected be followed without questioning them even if they are obviously wrong. People assume that because the instructions were given from their superiors they must be correct and should be followed. People do not publicly question their superiors or their own status in the hierarchy. Even hinting that there is something wrong with the instructions can be seen as inappropriate.

Andrew Horne of Xerox India says that "the hierarchical structures in Indian offices are way too strong for the modern world" (Forbes India, September 2009). He points out that being higher in the hierarchy makes people act disrespectfully towards their subordinates. Indians might refuse to do even small everyday tasks if they do not suit

their status. Hierarchy is a complex issue in India. Horne tried to motivate his employees by giving them authority to take decisions. Although the employees did actually embrace the empowerment they were not willing to accept the accountability that came with making those decisions. In the west more responsibilities mean also more accountability. However in India accountability was more related to the person's status in the hierarchy than to their actions.

In spite of a highly hierarchical organization there seems to be less strict structure when it comes to the way affairs are handles. Miguel Ruz from Coca Cola (Forbes India, June, 2011) argues that "structure is not a familiar term here [in India]". He says that many Europeans are used to strict planning where every possible detail and schedule is predetermined. For European managers adapting to Indian way of doing business might prove to be difficult. The Indian way of doing their work is through improvisation. Things are done in a hurry and it is not structured. Ruz adds that improvisation offers great flexibility. When things do not go as planned and tasks need to be done quickly, improvisation gets them done.

8 FINNISH CULTURE AND COMMUNICATION

8.1 Cultural values and characteristics

The next chapter will look into Finnish culture through cultural values and be analyzed with Geert Hofstede's *Five Cultural Dimensions*. Finnish communication will be analyzed with Richard D. Lewis' communication model based on linear-, multi- and reactive cultures.

8.1.1 Cultural values

Finland is a very young country and so is the ideology of a one truly Finnish nation. At the cross-roads of east and west, Finland has been open to influences from the Anglo-Saxon West and from the Slavic east. Although it is perceived the Finns are of eastern origin, it has recently been studied that there are two genetically rather distinct groups, one from the west and one from the east, that have populated the area. Although the language was the same there had been quarrels between the east and west for ages. So in 19th century, when the idea of nations spread throughout Europe, "Finnish" noblemen and artists started building a unified idea of a Finn. This idea was not build upon old and recent rulers but upon a basic workingman. In this fashion the Finland could build its national image and then a century later, claim its independency as a nation.

The main idea of a Finn was and still is a silent, hard-working individual who will take care of his family. This individual has perseverance "sisu", is fair and will keep his word no matter what. He doesn't say much and will listen most of the time, but when he does say something, he really means it. In his book *Finland: Cultural Lone Wolf*, Richard D. Lewis write that Finns believe in absolute truth, honesty and integrity. A Finn doesn't like to brag or lie. These absolute values have made Finns sort of introvert and reserved. According to a study by Tri Raimo Nurmi (1986) the most admired qualities according to Finnish university students are sense of responsibility, know-how, honesty, tolerance and independency. When a Finnish person meets a foreigner, these are the values that he or she will expect and value. If the foreigner doesn't seem to act according to those values, they will often be seen as suspicious, lazy or untrustworthy.

8.1.2 Cultural characteristics

The Five Cultural Dimensions

The following text will present Finnish culture as seen through Geert Hofstede's five cultural dimensions:

Power Distance: In Finnish culture the power distance is short. Everyone is entitled to the basic rights and social security. Democracy and social equality are seen as high value and the differences between social classes are minimal. In business setting employees can quite freely express their opinions and management cannot hide behind the authority.

Uncertainty Avoidance: In Finland uncertainty is rather accepted. This means that there are only vague limits and societal safety nets that guard people's lives.

Individualism: Finns are rather individualistic. Everyman is expected to look after himself, which shows as a strong work ethic.

Masculinity: In European perspective Finland has quite feminine values which expect one to study hard and look after each other when there are in need. In Finland these feminine values are seen more at state level where the strong social welfare system prevails.

Long-term vs. short-term orientation:

The concept of time is linear in Finland. That means that there is a beginning and an end. It is essential to be efficient and do things in right order.

According to Hofstede's five cultural dimensions Finland is on the same line with other Nordic countries.

Reactive Finns

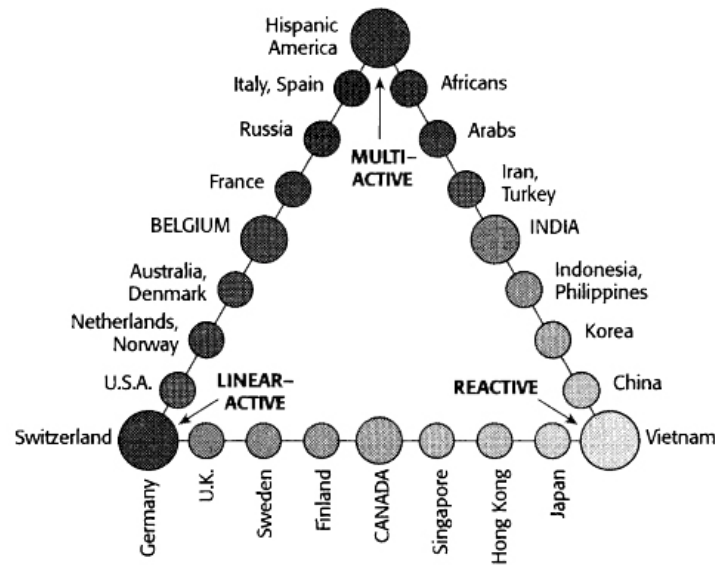


Image 3: Cultural categories of communication (Lewis, 2005)

According to Lewis (2006) Finnish culture is mainly reactive, especially when it comes to communication style. However, there are a lot highly linear-active traits that play a big part in Finnish culture. This may explain why Finns find it easy to deal with Germans and other Anglo-Saxons. Finnish communication style borrows much from the East-Asian cultures such as Japanese and is therefore reactive to high extend. These reactive tendencies weaken Finns' communication in global perspective.

Monochronic time

Finns are situated at the monochromic end of Hall's (1976) Monochronic – Polychronic spectrum. Monochronic cultures see time as a linear continuum. Therefore it is important that things happen one at a time and in a right order. Doing many things at the same time is not perceived as good work. This leads to honoring deadlines and schedules. Finns are serious when it comes to commitments and they deliver what they have promised. Rules and contracts are also important and they are followed meticulously. Finns feel that the absolute truth exists and it cannot be altered. Most linear-active cultures are monochromic and these common values facilitate interaction when Finns deal with linear-active cultures. However, when it comes to Finnish communication style, Finns are much closer to their Asian counterparts than Anglo-Saxon's systematic, pure-logic approach.

High Context Communication

According to Lewis (2006) Finns, as all reactive cultures, use monologue instead of dialogue. That means that the one who is speaking is given an opportunity to share his views. There is hardly any interrupting and the reply is formed in silence. Unlike linear-active and especially multi-active cultures, Finns tolerate silence much better and in fact need that time to form their opinion on the subject. Finns think in silence which sometimes makes an impression they are slow thinkers. Linear- and multi-active cultures think out-loud and want to keep the dialogue going. This introvert communication makes Finns difficult communication partners with Anglo-Saxons, Latins and Middle-Eastern cultures where speech is an important tool in forming relationship and therefore there is abundance of talk in these countries. Finns communicate with great emphasis on what is being said and they can be overwhelmed by the communication style of non-reactive cultures.

The Finnish communication style may hinder their ability to fully articulate what they mean because the “big talkers” are controlling the discussion with their endless stream of speech. This often leads to a situation where Finns feel that they couldn’t express their views properly and the other party feels that the Finns had nothing to say.

Traditionally the Finnish communication style has been that of a High Context. Finnish high Context communication is modest, introvert, silent with little body language (Nishimura, Nevgi, Tella. Also distrust for big talkers is common. Common stereotypes present the so-called silent Finn but this could be changing. Low context communication styles are becoming more common especially among the youth. This phenomenon shows that cultures are indeed dynamic and they are bound to change.

In the mean time, according to Kirra (1999), Finnish behavior could be summarized by “The Rule of Three W’s”: Words, Work and Watch. This means that Finns are “time-conscious, punctual, work-oriented, taking matters seriously, reliable, having high working morale and being uninterested in socializing.”

8.2 Communication in business

This chapter will look into Finnish communication from business point of view. Finnish communication is analyzed by underlining their negotiation behavior, organizations and leadership styles.

8.2.1 Negotiation styles

According to Katz (2006) Finnish negotiation is a joint-problem solving process. In fact, according to Salacuse Finns show greater preference towards win-win strategy. They are also noticeable risk-averse. Finns negotiate in a very direct style and underline the importance of facts and figures (Katz, 2006). They build trust by sharing information and use logical reasoning and facts to solve disputes. Because the outcome should be based on realities Finns do not use deception techniques such as sending fake or misleading messages and making false statements. Reactive Finns do not like over-emotional negotiation techniques. Excessive use of emotions and verbosity create distrust among Finns. Finns do not like aggressive sales technique. Also extensive haggling is not very common. Finns can block aggressive negotiation techniques by using defensive tactics. These include asking direct questions and trying to achieve agreements and gain promises from the other party.

According to Vihakara (2006) the Finnish way of solving a dispute is to go straight to the issue itself. Finnish negotiation style is a step-by-step process. The style dictates that the issue at hand is first solved. After that the negotiators move to the following issue. The negotiation is finished when all the issue in the chain have been agreed on. This kind of procedural thinking maybe be hard for cultures that value the overall harmony and relationships over rigid contracts. For many relationship-focused cultures changing one issue affects also the whole which needs to be discussed again. According to Vihakara the Finnish negotiation style could be visualized as a knot rope where each knot is an issue to be solved and clearing each of the knots in linear order is the negotiation process.

8.2.2 Organization and leadership styles

As mentioned before, Finland is very egalitarian society. This has an impact on the organizational culture. When categorized with Daft's three main organizational structures (centralized, decentralized and formalized coordination) Finnish organizations seem to favor decentralized and formalized coordination over centralized coordination. Finns prefer equality over strict hierarchy and they stick to rules (Doing Business in Finland)

When Finnish organizations are categorized with Tharp's Four Organizational Culture Types (*Collaborate [Clan]*, *Create [Adhocracy]*, *Control [Hierarchy]*, *Compete [Market]*) it has been found that Collaborate aka Clan culture dominates (Übius, Alas). Typical characteristics of Clan culture in businesses are "teamwork, employee involvement program and corporate commitment to employee. In a Clan culture the employee is seen as a partner. The binding forces in a clan type organization are loyalty and tradition. The goal of the organization is to succeed in the long-term and tries to develop their employees.

Finns are "fiercely individualistic" (Lewis, 2006). This affects the way Finns like to be lead. A system which constantly supervises its employees is likely to be frowned upon. Finns like to be given a task and then solve the task in their own way. Micromanaging does not work with Finns who feel that they are not trusted. Although rule-abiding, they do not approve of too strict hierarchies in modern businesses.

9 COMPARING FINNISH AND INDIAN CULTURES

Indian and Finnish cultures are both very unique in their area. Both of them are clearly different from each other; India being in the middle of multiactive-reactive spectrum and Finland being in the middle of linear active-reactive spectrum. In the following chapter the two cultures are compared using the Four Cultural Value Pattern by Richard Gesteland. The following five pairs of value patterns will show what kinds of problems arises from differences in perspective between the two cultures. This particular tool proves to be valuable as Finland and India often find themselves on the opposite sides of value patterns.

Informal vs. Formal

Need for equality or hierarchy has huge effect on any culture and it is truly a barrier point. In *informal* cultures equality among its members is seen as vital right. Even though there might be artificial hierarchies at the workplace there exists a greater notion of equality between people. It states that in the end everyone is each other's equal regardless of their wealth or status in society. Formal societies rely heavily on hierarchy. India's denounced caste system, although illegal, still prevails at the countryside. In the developed cities people are still highly status conscious. Being at the opposite ends of the *informal – formal* spectrum can cause different problems that can manifest themselves in the following fashion:

Respect for authority vs. Freedom of speech

In formal cultures authorities are seen as superiors. Their capacity to make decisions and solve problems is better than their subordinates'. It is logical because that is the exact reason they are the leaders in the first place. Questioning one's superior is extremely rude and gives a message that the boss is not doing his/her work. The article "Mykkä Suomi vastaan Hierarkinen Intia" (Lappalainen, 2010) discusses the problems which arose from the merger on two companies: Finnish Openbit and Indian Tanla Solutions. In Openbit/Tanla case Finns caused a conflict by openly criticizing the decisions made by the CEO of Tanla Solution.

In informal cultures freedom of speech is highly valued. True progress emerges from free exchange of thoughts. Communication between the leaders and their subordinates is part of the work and not seen as a power struggle or attempt to deface one's superior. The leader himself/herself is not necessarily a superhero who knows the answers to every question but in fact skilled in using his/her subordinates skills to create value that he/she could not create by himself/herself.

Individual vs. Group

Informal culture is essentially an individualistic culture while formal cultures tend to be more group-oriented. In individualistic cultures people take command of their performance. They work as individuals and ask and give help when needed or asked. They prefer to solve problems using their own methods and expect to be given more freedom than their group-oriented peers. Group-oriented working style is based on abundance of communication. People work together and use their social relationships and networks to solve their problems. They tend to be very open and share information even if not asked to. Group-oriented people may find individualistic people hard to approach and antisocial. Individualistic people may find group-oriented people to be lazy because they do not take the initiative the same way they do.

Centralization vs. Decentralization

When informal and formal cultures collide a plethora of problems emerge. Indian authoritarian leadership style means that decision-making is centralized to the top and orders are laid out from top to bottom. In a centralized organization the top-management makes the decisions and carries the responsibility. The subordinates' task is to follow the orders without questioning them. Present day Finnish leadership style is more decentralized than ever before. Decentralized organization gives power to make decisions to also to lower-level management and also for non-management employees. The power to influence comes with responsibility and accountability. In a decentralized culture people are expected to show personal initiative. However, centralized organizational culture usually lacks personal initiative and employees need and expect monitoring and direct orders.

Expressive vs. Reserved

This dimension is related to ways of communication and expressing oneself. Finnish are introverts by nature and their communication style resembles that of many Asian

cultures. Indians, although reactive to an extent, express themselves mainly through extroversion. Indian extroverts with their expressive communication might be overwhelming to Finnish communicators who rely mainly on introverted tactics. This might lead to misunderstanding between cultures. The Indian extroversion could make Finns believe that they cannot trust what the Indians are saying. On the other hand, Indian think that Finns are reserved and do not want to work with them. The level of introversion and extroversion may even affect the preference for communication media. In the Openbit/Tanla case Finns wanted to communicate through email which was unbearable for the Indians who were used to verbal communication

Although there seems to be big differences the use of silence is what unites the two cultures. Unlike most of multiactive cultures, Indians do use silence as a communicative tool. Although Indians are extrovert by nature they value an eloquent speaker and are willing to listen to one. This greatly helps communications between Finns and Indians because the Finnish communication style is turn-based listening and speaking. Finns can have great difficulties expressing themselves properly if the other party keeps interrupting them.

Rigid-Time vs. Fluid Time

The time orientation can cause conflicts between the two cultures. Finnish culture is clearly monochromic and Indian culture is polychromic. This means the Finns perceive time as a linear path where each task is started and finished before starting a new one. Finns' rigid perception of time means that they want to plan ahead and follow schedules. Indians however perceive time to be fluid. Many tasks can be done at the same time and plans are rarely followed to the letter. In the Openbit/Tanla case time perception caused a conflict when Finnish employees refused to do work after their official working hours. For Indian being on call was not a problem. Separating work and spare time was very natural for Finns.

Deal-Focused vs. Relationship-Focused

One huge source of conflict is culture's orientation to written contracts. Most Anglo-Saxon cultures focus on making deal and getting a written contract. That contract is the sole purpose of the business relationship. Usually Deal-focused cultures also tend to

seek short-term rather than long-term goals. Finnish culture is rule-obeying and agreement-seeking.

In a relationship-focused culture agreements are not the priority, relationship is. Relationship-focused cultures do not necessarily stick to verbal or written agreements which can cause major conflicts among deal-focused cultures. It is a matter of priorities. Relationship-focused cultures tend to build a long lasting relationship. This can only happen if both parties are happy. If an agreement proves to be unfair, it is only fair not to follow it. The conflict between these two mindsets can lead to big trust issues, where one side seems to be breaking the agreement and the other side seems to be trying to cheat with an unfair contract. It is necessary that both parties' conceptions of the agreements are made clear.

10 CONCLUSIONS

The comparison showed five probable conflict points in communication between Indian and Finnish cultures. Cultures' attitudes towards hierarchy, showing emotions, concept of time and understanding of business relationship differed tremendously. There are a couple of ever occurring problems in communication between Finns and Indians. These problems occur because neither of the two understands the other's perspective. In Finns' perspective Indians might seem to be lazy or even stupid when they do not take the initiative in their work. For Indians taking initiative is not common because they are used to be given orders according to their hierarchical society. In Indians' perspective Finns are antisocial and they never take the initiative to talk and share information. They are perceived to be rude or that they do not like working with you. For Finns that is not the case. They do not see themselves as being rude or antisocial. They respect other's individuality and expect them to ask directly if there is a problem. Both cultures want the other to take the initiative. But Indians mean taking initiative in sharing information and Finns mean taking initiative in doing one's tasks independently. In this thesis the main emphasis was on the conflict and not much on the similarities.

Cross-cultural communication is a skill that few master. All attempts to categorize cultures including this thesis are presumably failures. Categorizing something as dynamic, complex and ever-changing requires one to make assumptions, stereotypes and simplifications. The spectrum of different people inside a single culture is astonishing. When trying to put them under one single culture label is an atrocity. Does the "silent Finn" really exist? Some studies say no. Are all Indians talkative multi-tasking machine? Undoubtedly they are not. The true value of this thesis was not to teach a list of characteristics or fixed traits. The goal was to unveil the mystery of culture. By using simplification, some confrontational situations now can have an explanation. By learning to understand the motivation and reason behind everyday behavior it is possible to master communication across all cultures.

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