

COMPARISON OF DIFFERENT TYPES OF MANAGEMENT - CULTURAL CONTEXT IN INTERNATIONAL BUSINESS

Marija JANOŠIK
Tijana ĐUKIĆ
Svetlana VUKOTIĆ

***Abstract:** In international business market different cultures, beliefs and values meet each other, so managers need to develop their competences and intercultural communication. The impact of culture on the business world is very significant because respect for cultural diversity leads to successful and long-term business. The paper discusses the impact of company culture on business processes within the global market and analyses the need to understand the complexity of the impact of national culture on shaping business behaviour, building organizational culture, and establishing intercultural relations in the global market. Intercultural communication enables managers to successfully communicate with members of different cultures. Possession of intercultural competencies leads to the adoption of intercultural attitudes, knowledge, and skills with the aim of better mastering diversity and respect for members of other cultures, which brings multiple benefits to the business. Intercultural competences are the key to success and as such they are necessary for successful business in the international market, thus it was a motive to explore more in this paper.*

***Keywords:** management, national culture, organizational culture, intercultural management, intercultural competencies, global market*

INTRODUCTION

In modern management, increasing attention has been given to research and understanding of different cultures, as a basic prerequisite for successful international business, with a special area of management in recent times developing multicultural/intercultural /Cross-cultural management. Depending on the literature, different terms have been used that approach the issue of cultural diversity in different ways as a special field of management: multicultural management (Katunarić, 2004), intercultural

management (Bahtijarević-Šiber et al., 2008), and Cross-Cultural Management (Zhu & Ulijn, 2005). Different authors interpret these terms from different points of view; some of them clearly emphasize the difference between the terms, supporting the fact that the field of intercultural management includes comparing cultures, while the field of intercultural management raises the question of how cultures interact in business concepts. Given the basic meaning of interculturalism as a dynamic process that implies a relationship, interaction, exchange, and perspective, which is characterized by encounters with culturally diverse individuals. All this is based on the plurality of relationships with a pronounced openness and social dimension of dialogue between cultures (Bedečković, 2010).

The paper is designed so that it consists of two parts after the introduction. In the first part, authors analyze intercultural management, with the notion of intercultural management being defined first. Further, in the same segment, the distinctions of intercultural competence and intercultural intelligence are explained. The next conceptual unit with the subheading “the importance of intercultural competence of managers in international business predominantly” includes intercultural communication in the international environment. A comparison in the cultural context of three selected countries was elaborated here: the USA, Japan, and Germany, as representatives of the European Union. As usual, concluding remarks are given at the end.

The paper can be useful to the professional and scientific public interested in the topic of the connection between management and culture in an international framework.

INTERCULTURAL MANAGEMENT

As a result of the need to strike a balance between cultural differences, the concept of interculturalism emerges. Originally conceived as a process of equal relationship and interaction, with others it represents an optimistic assumption about merging differences and getting closer through active interaction and building a philosophy of interconnection and respect regardless of cultural differences. Intercultural management extends to all areas of human activity, especially in the field of business relations in which management occupies a significant place. In short, culture refers to the “collective programming of consciousness that distinguishes members of one group or category of people from others” (Hofstede, 2011).

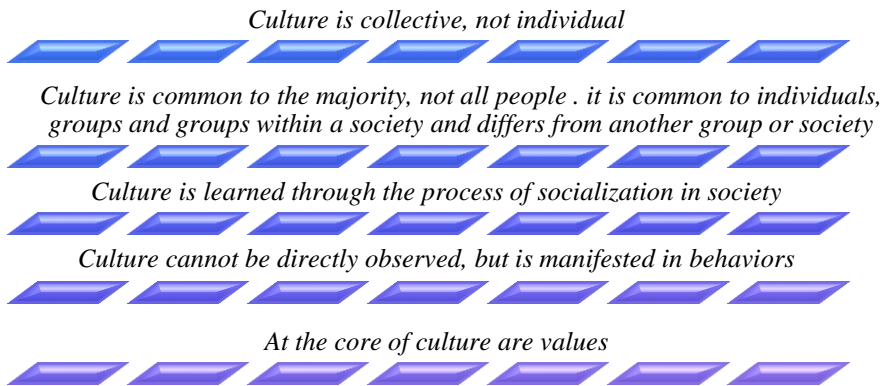


Figure 1. Characteristics of culture
 Source: modified according to Hofstede et al., (2010)

Although the term "international management" can often be seen in the literature, the term "intercultural management" is preferred. The reason for that lies in the fact that its content is more appropriate to the currents of the global economy. Although the main goal at the time of intercultural management was to get to know another nation better to increase the volume of business, it opened a far wider range of possibilities: the need to understand that all nations are different and that their cultural differences should be respected not only from a business point of view but also in everyday life (Zakić & Milutinović, 2013).

Hofstede is the creator of the most famous model that explores the cultural differences of different countries. It consists of six basic dimensions that form a kind of framework for defining the way of structuring organizations, influencing the motivation of employees, and solving various issues and problems faced by different organizations and people within different societies. These dimensions are (Hofstede et al., 2010; Tomljenović & Stilin, 2012):

- **Power Distance**, related to the different solutions to the basic problem of human inequality;
- **Uncertainty Avoidance**, related to the level of stress in a society in the face of an unknown future;
- **Individualism versus Collectivism**, related to the integration of individuals into primary groups;
- **Masculinity versus Femininity**, related to the division of emotional roles between women and men;

- **Long Term versus Short Term Orientation**, related to the choice of focus for people's efforts: the future or the present and past.
- **Indulgence versus Restraint**, related to the gratification versus control of basic human desires related to enjoying life.

For people involved in the intercultural process, the model of cultural dimensions is the basis for profiling the cultural environment of an organization or institution in different countries around the world. Hofstede's model of cultural dimensions is important for understanding the impact of cultural differences on the formation of organizational culture, management concept, and style, coordination of activities, behavior, and building of intercultural relations in the global market. Unquestionably, each of the cultural dimensions within Hofstede's model in a specific way affects the characteristics of management, and thus the formation of organizational culture within each national culture (Bedečković & Lukačević, 2011).

One of the important factors that enable us not only to learn and understand others different from us but also about ourselves is intercultural competence. Being interculturally competent means having knowledge and positive attitudes and being able to establish effective interaction with others and quality intercultural communication (Piršl, 2012). In the last ten years, cultural intelligence has been associated with the notion of intercultural competence.

Intercultural competence and cultural intelligence are studied by scientists from various fields, but they are often analysed and discussed by experts from the business world, cross-cultural management. Although they have many points of contact, they cannot be reduced to the same meaning: both intercultural competence and cultural intelligence depend on context. It is important to understand that intercultural competence can be developed, and cultural intelligence can be learned (Piršl, 2012).

When we talk about the connection between culture and communication, we can say that it is impossible to separate them. The way of accepting other people under the influence of the culture in which they grew up, the influence of non-verbal messages, and other elements such as language, and tradition. We can see the characteristics of culture important for intercultural communication in the following picture (Figure 2).

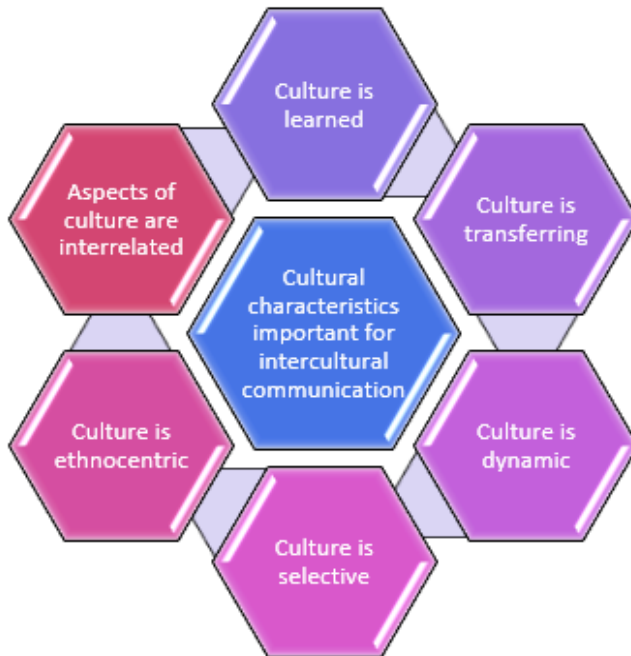


Figure 2. Culture important for intercultural communication
Source: modified according to Benjak et al., (2005)

- ✓ *Culture is learned* - it means that culture is learned, it is transferable and it is not something that we are born with. The process of learning culture takes place mostly through mutual interactions, observations, and imitations.
- ✓ *Culture is transmitted* - excellent examples of non-verbal actions are shown as an example of a handshake in which we show affection to a certain person.
- ✓ *Culture is dynamic* - it reflects through the changes to which both communication and culture are subject.
- ✓ *Culture is selective* - one of the characteristics is selectivity, through numerous examples of human behavior we can see that each culture has a limited number of numerous models, which are primarily based on the assumptions and values of each culture.
- ✓ *Culture is ethnocentric* - An important characteristic of ethnocentrism is the subjective emphasis on one's own culture as a measure of the evaluation of other cultures, it also affects intercultural communication.

It can be seen that all the above elements are in a mutual relationship, and all together form a very complex system and that they are interconnected because they cannot do without each other.

Figure 3. is a diagrammatic disposition of linear-active, multi-active and reactive variations among major cultures, based on decades-long observation and thousands of assessments of cultural profiles with respondents of 68 nationalities. What it does indicate is the relative positioning of each culture in terms of TS linear active, multi-active, or reactive nature. Thus, the juxtaposition of Russia and Italy on the left side indicates they are linear-active / multi-active to a similar degree. It does not impute other cultural resemblances (core beliefs, religion, taboos, etc.). Spaniards and Arabs, though strikingly different in ideological and theological convictions, can benefit from their similar multi-active nature in communicating in an intensely personal and often compassionate manner. A Norwegian, though, is not on the same wavelength with either. As mentioned earlier, a senior multi-active Indian was able to combine his characteristics of warmth and people-orientation to achieve success in managing the entire South American division of his company.

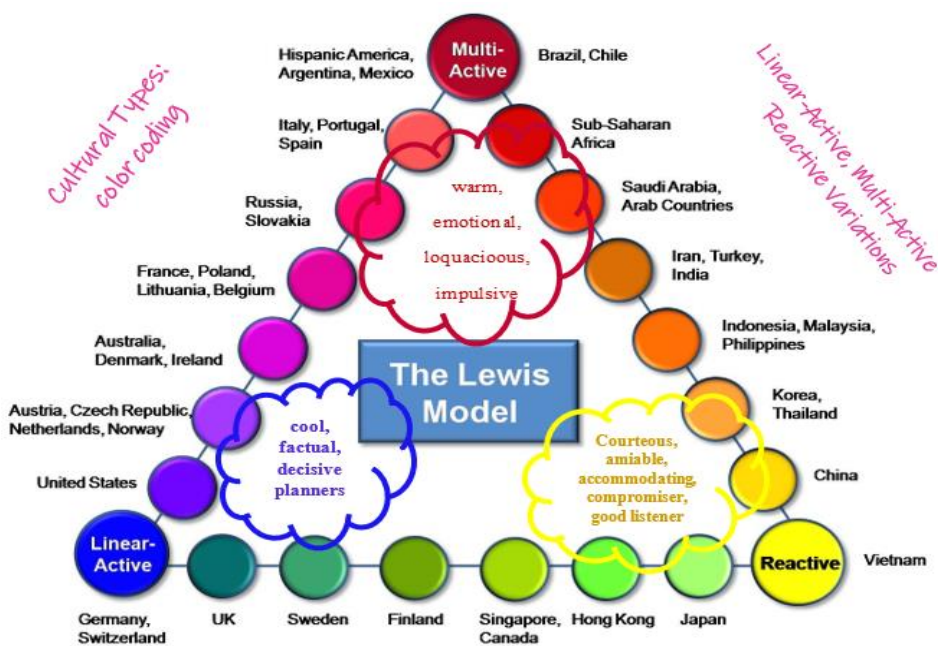


Figure 3. Cultural Types Model
 Source: Modified according to Lewis (2006)

Lewis (2006) has developed the LMR (linear/multi/reactive) method of testing so that individuals can determine their cultural profiles. This classification or categorization of cultural groups is straightforward when compared with the somewhat diffuse instruments of the other cross-

culturalists, and it has consequently proven comprehensible and user-friendly to students in hundreds of universities, schools of business, multinationals in industry, banking, and commerce.

THE IMPORTANCE OF INTERCULTURAL COMPETENCE OF MANAGERS IN INTERNATIONAL BUSINESS

Intercultural competence is today considered one of the key competencies of a successful manager in the context of global business, where managers are required to have certain knowledge, attitudes, and skills. A manager who knows the characteristics of his and other cultures, rejects prejudices, respects the specifics of organizational structures, and adapts to verbal and nonverbal communication styles, can achieve long-term cooperation in international business. During international business, managers, in addition to the achieved business successes, gain new experiences, experiences derived from the specifics and customs of individual cultures.

Increasing globalization greatly affects the success of international cooperation, where managers are expected to have a higher level of intercultural competencies than ever before. The manager must be aware of the existence of many different cultures, which characterize different values, business cultures, and behaviors. Therefore, he must be ready to accept and adapt to diversity to achieve the desired business results.

The success of managers in the context of global business increasingly depends on their adaptability and openness to the values, behavior, opinions, and attitudes of culturally diverse business partners (Bedečković & Lukačević, 2011).

Intercultural competencies are a basic precondition for successful communication in international cooperation. Interculturality is a dynamic category that implies above all a relationship, and at the core of that relationship is communication. Intercultural communication refers to the understanding of members of different cultures, implies behavior that is appropriate to a particular place, or during intercultural interactions, and contains a combination of different abilities through which an individual can function in an environment of other cultures.

Communication between cultures must begin with an understanding of diversity, that is, that culture is not universal. Namely, what the culture of one country practices does not necessarily mean that the same is true for the rest of the world. To achieve successful communication between different cultures, it is necessary to understand the cultures of the countries visited

and with which one cooperates in business. Very often gestures and communication styles are experienced differently in certain countries where, for example, certain gestures are considered normal in one country and may be considered normal in another.

Aspects of intercultural communication competence were presented through the business of culture and communication competencies of American, Japanese, and German managers. Table 1 shows the characteristics of business culture and communication competencies of managers.

Table 1. Features of business culture and communication competencies

	<i>America</i>	<i>Japan</i>	<i>Germany</i>
<i>Intercultural competence</i>	They do not like to spend time meeting business partners Decisions: fast / Execution slow	Consistency - keep their way of acting without adjustment Loyalty to the company Decisions: slow / Execution: fast	Knowledge of the German language and business culture is the main prerequisite
<i>Business culture</i>	Respect for privacy Focus on money Individualism Increasing reputation Subjective decision making	Relationship orientation Preservation of reputation Collectivism Team decision making	Social responsibility and ethics Focus on product quality
<i>Communication competencies</i>	Language is the limiting factor in business Communication No importance is attached to body language Mobility between companies	Paying attention to non-verbal communication (holding, handling, facial expressions) Poor knowledge of English Internal rotations Trust	Communication Eye contact shows respect

Source: According to research by several internet sources

Based on the table, it is pointed out that each country is characterized by a specific business culture, customs, communication styles, and other aspects.

When we talk about *American business culture*, it is characteristic that it is based on individualism, and respect for privacy during business meetings. In the USA, contracts are long, because every conditionally unpredictable situation must be foreseen and elaborated in advance. Great

attention is paid to detail to avoid ambiguity. Managers in America do not leave the possibility to be guided by intuition but must have explicit written confirmations of the company's goals (Vukotić et al., 2017).

As a disadvantage, it can be stated that managers do not like to spend their time getting to know the customs and culture of their business partners, and the consequence is that they openly show their disagreement, which can cause inconvenience in other cultures and result in a bad business relationship. The limiting factor is also the language, even though in America English is the main and official language, business partners who come from other countries very often do not understand it. As a result, misunderstandings or misunderstandings usually occur during the meeting. The main characteristic is that they speak loudly and avoid silence.

In some cultures, silence is common during the conversation, while in others it requires discomfort, however, this difference is the core of intercultural competence, where the manager must be able to interpret the meaning of another culture in this regard.

It does not take much wisdom to understand that the common goal of all managers is to win the eternal game on the world market. In contrast, the paths leading to this goal are different, and there are no ready-made formulas for success (Vukotić, 2009: 201).

Japan's business culture is based on collectivism, which fosters good and long-term relationships with employees and the company. Namely, Japanese organizations are social organizations that provide employees with lifelong employment. Most Japanese workers spend their working lives in one company, where the main motive is to maintain harmonious relationships with colleagues at work. Many companies also encourage their employees to socialize after hours. Since American business culture is based on individualism, Japanese culture fosters collectivism and harmony at work.

Members of the nation that is considered to be the best students have formed a new segment - Japanese management. After the Second World War, the American-expansionist and Japanese-isolationist style of governing came closer, and the Japanese economy was greatly influenced by several American experts.

The fascinating results of Japanese progress are also related to Kaizen, which is considered to be the most powerful segment of their business culture. Kaizen is translated as improvement, and in the literal sense, it is a coin of two words: *kai*-change and *zen* - good.

The ten principles of the *Kaizen* concept are (Menadžer Delfin, 2004/104):

1. Customer focus,
2. Continuous improvement,
3. Public confrontation with problems,
4. Promoting openness,
5. Teamwork,
6. Inter-functional teams,
7. Importance and harmony of the process,
8. Self-discipline,
9. Informing employees,
10. Employee training.

Another characteristic of an interculturally competent manager is the ability to adapt to verbal and nonverbal communication styles. During intercultural interaction, it is important to know that the Japanese pay more attention to non-verbal communication, whereas during business meetings they rely more on facial expressions, posture, and hand movements. Japanese managers are also indirect communicators, which often frustrates American managers because they are known for their directness and openness. Also, the Japanese tend to avoid eye contact, which they consider insolent, so they look at their interlocutors during the conversation. In these respects, managers are expected to adapt and understand Japanese business specifics.

The German principle is based on respect for authority and legal restrictions. This represents a certain paradox between the authoritarian style of management and the numerous trade union organization of workers, who are indirectly involved in the management processes in corporations (Zečević & Simicević, 1992). Precision and seriousness are the dominant elements of this management. Decision-making is based on facts, and the risk is calculated in advance. In communication, Germans are honest, open, direct, and often loud. For them, the truth comes before diplomacy (Šijaković & Vukotić, 2018: 241). There are no elite schools that stand out for the education of top managers, which progress gradually, without lightning rises. They are more focused on job security than progress (Maksimović, 2004). German managers are more task-oriented than people-oriented. Emotions are hidden to the maximum, which is considered an important characteristic of professionalism (Petrović, 2006).

Based on the above characteristics of business culture and communication competencies of American, Japanese, and German managers, we can see the differences and similarities of individual features of business culture, hence the importance of having intercultural competencies in international business. Intercultural business cooperation cannot be achieved without knowing and getting to know the specifics of

other cultures, without adapting, as well as without awareness of the lack of universally acceptable patterns of behavior (Zakić & Milutinović, 2013). Based on all the above, it can be said that the possession of intercultural competencies is the key to success in international cooperation. It all starts with intercultural competence because without knowledge of other cultures or in the presence of prejudices, we cannot start or end successful international cooperation.

CONCLUSION

The expansion of business in the international market has expanded the notion of national and ethnic identity by opening space to new, intercultural identities. Establishing interaction and business cooperation between members of different cultures and achieving competitiveness in the global market presupposes the awareness of managers about the impact of specific dimensions of society's culture on organizational and business behavior.

Each country has its own specific culture, language, customs, and values that should be respected in all situations, including business meetings. The goal of business meetings, for example, is to achieve long-term cooperation. During business meetings, especially international ones, there are often differences in business culture, communication methods, and customs, which need to be successfully overcome.

Success in global business depends on the flexibility and appropriate response of managers to practices and values that differ significantly from the internal business environment. A positive attitude of managers towards the values of organizational culture that are different from those they are accustomed to in their business environment requires their openness to differences and values, as well as opinions and ideas arising from diversity.

By getting to know different business cultures, understanding, and intercultural communication, business cooperation is improved and only business on the international market is improved, with mutual respect and hidden explicit dominance.

Based on all the above, it can be said that one of the most important characteristics of global managers is the ability to communicate with members of different cultures, which in the conditions of culturally plural global business inevitably implies the attribute of intercultural. Its contribution depends, among other things, on the skill of finding final solutions and reaching a compromise aimed at accepting common solutions that are acceptable to members of different cultures involved in business relations in the global market.

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NOTES ON THE AUTHORS

Marija JANOŠIK, MSc, University Business Academy in Novi Sad, Faculty of applied management, economics and finance, Belgrade, Jevrejska Street no. 24, 11000 Belgrade, Phone: +381 64 2819169, E-mail: marija.janosik@mef.edu.rs Research field: management, entrepreneurship, innovations, business management.

Tijana ĐUKIĆ, MSc, University Business Academy in Novi Sad, Faculty of Applied Management, Economics and Finance, University Business Academy in Novi Sad, Belgrade Jevrejska Street no. 24, 11000 Belgrade, Phone: +381 64 2406418, E-mail: tijana.djukic@mef.edu.rs Research field: economy, management, quality management, education, human resource.

Svetlana VUKOTIĆ, Ph.D., is a Professor at the Faculty of Applied Management, Economics and Finance, University Business Academy in Novi Sad. E-mail: svetlana.vukotic@mef.edu.rs Research field: management, communication, strategic management, leadership, gender management, tourism, knowledge management, entrepreneurship, and human resource management especially.