Leadership in Dynamic Condition

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She has been continuously working on cultural diversity and intercultural communication in the field of management and business since the beginning of her academic and teaching career at the Eutopean University. She is the author and co-author of numerous academic works and a participant in scientific research projects and at national and international academic and professional conferences in the field of management and business, and she published several editions of the book 'European Cultural Environment', then 'Cultural Relations' and 'International Cultural Communications'.

Cultural Diversity of Central and South-East Europe Through Cultural Dimension of Interpersonal Relationship in Management and Business

Abstract: *In relations with Serbia and Central and South-East Eauropean countries, the European Union has placed a special accent on the strenghtening of intercultural dialogue and promotion of cultural diversity aiming at peace, cooperation and progress of this region. In this respect, Serbia, as a country with a rich cultural heritage and tradition, has a special role and responsibility in promoting and preservation of Serbian, as well as cultural diversity of the whole South-East European region. These efforts are necessary not only in order to preserve cultural and historic identity, but also beacuse of economic prosperity and successful business cooperation in the whole region.*

Cultural values are deeply rooted in our conscience and we are not aware of them most of the time and consider them generally accepted, untill we meet different cultural value systems in intercultural encounters. Therefore, today, it is necessary to be aware of and be familiar with the existance of value systems of different cultures as a necessary precondition for a successful business cooperation.

The awareness of cultural values arises mostly from interpersonal relations. In this paper, we paid special attention to the research of that very cultural dimension and its influence on management and business in the region of Central and South-East Europe.

Key words: *culture, cultural diversity, intercultural communication, cultural values, cultural dimensions, interpersonal relations, Serbian culture, Central and South-East European culture, management, business*

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The intangible cultural heritage, transmitted from generation to generation is constantly recreated by communities and groups in response to their environment, their interaction with nature and their history, and gives them a sense of identity and continuity, thus promoting respect for cultural diversity and human creativity.'[34]

Cultural diversity is a driving force of development, not only regarding the economic growth, but also as a means to achieve a better intellectual, emotional and moral climate in the world. The acceptance and respect for cultural diversity, especially with the help of innovative use of information technology, media, educational systems, manage,ment, business and marketing, encourages the dialogue among civilisations and cultures and their mutual respect and understanding.

Cultural diversity is of vital importance for the long-term survival of the mankind. Besides the obvious cultural digfferences that exist among people such as language, the way they dress and traditions, there are significant differeneces in the way certain societies organize themselves, in thier common morale and their relationship to the environment. UNESCO in its *Universal declaration on cultural diversity*[35] says: '...cultural diversity is as necessary to the mankind as biodiversity is necessary to the nature.' This declaration is considered to be a legal instrument which recognises culutral diversity as 'a common human heritage' for the first time and considers its preservation as a clear, concrete and ethical imperative.

1. CULTURE AND ITS INFLUENCE ON MANAGEMENT AND BUSINESS

Culture is a system of acquired knowledge and beliefs of a certain group of people which influences the creation of their attitudes, behaviour, feelings and thoughts of the group members.[36]

Cultures have always represented the reflection of the world in the eyes of their members. The world around us, our environment, poses identical questions before all the cultures and offers different options of response. Different cultures have simply made different choices at the very beginning. Some cultures read from left to right, and some from right to left. In most

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[36] Olgica Zečević Stanojević, *Evropsko kukturno okruženje,* Evropski Univerzitet, Beograd, 2007

Western cultures surname comes second, after the first name. In Japan it is reverse, probably because it is considered that a family is more important than an individual. We can view these opposites as reverse mirror reflections[37]. They do not exclude each other but are complementary and offer a new perspective.

Hofstede defines culture as *collectively programmed mind which distinguishes members of a group or a category of people from others*[38]. The core of culture is the cultural value system. Cultural values are our basic assumptions about what is good, and what is evil, clean or dirty, honest or dishonest, beautiful or ugly, moral or immoral, normal or abnormal... Hofsted calls them our *'mental software'*[39].

Cultural values are deeply rooted in our mind and are acquired early in our childhood, first in the family, and then at school, and later on in the wider social environment. This is the reason that we are not usually aware of our own cultural values and consider them universal untill we meet with different cultural value system. This is precisely why the awareness of the existance and the knowledge of different cultural vale systems is today a necessary prerequisite for a successful business cooperation between Central and South East European countries, as well as globally, but at the same time in all spheres of business. Efficient and effective European managers are aware of cultural dimesions and their influence on planning, organisation, staff selection, management and control[40] precisely beacuse of the fact that they constantly work with people, and people in Europe belong to a diverse cultural environment. Cultural diversity should especially be taken into consideration during the segmentation of European market into clusters in marketing cycles[41].

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[37] Hofstede, G., G. J. Hofstede and M.Minkov, Cultures and Organizations, McGraw Hill, 2010

[38] Ibid.

[39] ibid.

[40] Prof. dr Milija Zečević, *Moderni menadžment,* Naučno društvo za menadžment, Beograd, 2010

[41] Prof. dr Leposava Zečević, *Marketing – Principi marketinga,* Evropski univerzitet, Beograd, 2011

2. CULTURAL DIMENSION OF INTERPERSONAL RELATIONS

Man is a social being. This statement is valid in all cultures. However, the level to which, as well as the way in which an individual is integrated in the social community differs significantly in different cultures and perhaps has the greatest influence on the formation of the mindset and value system of members of a certain culture.

2.1. Horizontal relations (individual – group)

The researchers of cultural diversity agree that there are two basic models of horizontal interpersonal relations in cultures according to which we can divide cultures into individualistic[42] and collectivistic[43](communitarian[44]) depending on whether the identity of an individual is based on individuality or depends on the social group to which he or she belongs.

Individualism has been described as a 'primary orientation towards oneself', and colectivism as 'primary orientation towards common goals'. Cultures usually differ in which of the two processes they place first in the way they think, although both can be contained in the same culture. Do we attach to others by discovering what every one of us wants, and then try to smooth our differences, or we put a common concept of public and collective benefit before that? Do parents teach their children to think in the first person singular I and to be independent, or they teach them to think in the first person plural WE and take care of them when they grow up, and rsepect loyalty in return?

In Hofstede's studies Serbian culture is traditionally collectivitic, nut the latest Trompenaar research place Serbia among individualistic cultures which is in line with the new trend of changes in Serbia and the neighbouring countries under an incresing influence of the Western cultures. We find the same situation in Hungary, Romania and Bulgaria, and we can assume in Slovenia and Croatia,[45] while Greece is in both cases collectivistic culture.

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[42] Hofstede, G., G. J. Hofstede and M.Minkov, Cultures and Organizations, McGraw Hill, 2010; Fons Trompenaar, C.Hampden-Turner, Riding the Waves of Culture, McGraw Hill, New York, 1998

[43] Hofstede, G., G. J. Hofstede and M.Minkov, Cultures and Organizations, McGraw Hill, 2010

[44] Fons Trompenaar, C.Hampden-Turner, Riding the Waves of Culture, McGraw Hill, New York, 1998

[45] Trompenaardid not include these countires into his study.

Individualistic cultures believe that a person should take care of himself and the closest family only. Evwen that changes when children come of age. Parents whose twenty year old children still live with them are considered to have failed to develop a 'strong individuality'. The word I is the most used word in the eEnglish speaking cultures, for instance. In these cultures, individualism is considered a blessing and source of benefit for a man, in different cultures, individualism is considered alienation. In collectivistic cultures devotion and loyalty is attached to a wider family or a group to which one belongs throughout one's life. All individual efforts are aimed at accomlishing the group interests and goals, and in return the group gives an individual support and protection. Collectivistic thinking is deeply rooted, for example, in Chinese culture where it is believed that putting one's own interest above those of a group , or even paying too much attention to one's own needs, is a sign of selfishness. According to this belief, collectivism does not mean negation of individual benefits and interests. On the contrary, these cultures imply that the preservation of common good is the best guarantee for an individual

The relationship between an individual and the community in cultures is not only about co'existance but is also closely connected to the society norms. This realtionship influences the mind of the people and also the structure and functioning of many other institutions besides family; eductaion system, religion, political and economic systems. Individualism is usually considered a feature of a modern society, while collectivsm reminds us of traditional societies. Geert Hofstede's research[46] really showed that individualism is present in rich countries, while collectivism is usually a dominant cultural dimension in poorer countries. We are the witnesses, however, that the success of the 'Five Dragons' (Japan, Hong Kong, Singapore, South Korea, Taiwan), but also the sixth – China, triggered serious issues about the success and the inevitability of individualism.

International manegement is under significant influence of individualism and collectivism in different countries. Negotiations, decision-making process and motivation are the most important fields where the influence of cultural values is evident.

Practices such as 'performance- based pay', for instance, imply that an individual strives to distinguish themselves from a group and that their colleagues support this. They also rest on the assumption that the contribution of every member in a common endevour is easily noticable and that there is nothing wrong in praising that individual. Nothing of the just

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[46] Hofstede, G., G. J. Hofstede and M.Minkov, Cultures and Organizations, McGraw Hill, 2010

mentioned has to be true in collectivistixc cultures. Therefore the idea that the rise of individualism is a part of the rise of coivilisation should be treated as a cultural assumtion, and not as a bare fact.

In international management and business, the differences between cultural dimensions of individualism and collectivism are particularly evident.

The decision-making usually takes longer in collectivistic cultures because of the constant efforts to reach a consensus. It is not acceptable to outvote those who are againts, which often happens in individualistic cultures. Discussions are also undesirable because the main goal is to maintain harmony and thus avoid confrontations. Individualistic cultures, with thier respect for individual opinion, will fiercly discuss every issue. Giving one's own opinion is considered a sign of honesty. These cultures often ask for voting in order to point all the members in the same direction.Collectivistic cultures intuitively refrain from voting because it does not respect those who are against such a decision. There will usually be detailed consultations with everyone,and beacuse of the pressure to achieve collective goals, consensus will be reached. If the whole group or the company's headquarters is not consulted first, the former 'yes' can easily become 'no' later. Since those consulted usually need to implement the decisions, this latter phase of implementation usually runs smoothly and simply. The time 'wasted' (from individualistic perspective) is compensated when new procedures start working as envisioned.. The final result demands much more time, but it will be more stable. In individualistic cultures the decision-making process is usually very short, and a 'lonely individualist' makes decisions in just a few seconds. However, after saving time on making a decision, considerable delays due to implementation problems usually follow.

The relationship between and individual and a group also plays a major role in the way people are motivated to do something. There are at least two sources of motivation. People work for financial reward and for positiv opinion and support of their colleagues. In collectivitic cultures this second reason is more prominent, often to the extent that those who are more successful rather share the credit with their colleagues then get more money themselves.

Western motivation theories belive that individuals arise from early, and therefore primitive, social needs for individual self-realisation at the top of hierarchy. It is needless to say that this is not true in all cultures no matter how much this theory may be true for USA and North-West Europe. Japanese perception of the greatest good are harmonious relationships in the nature and in accrodance to the nature, primary orientation is towards others and towards natural environment.

The relationship between an individual and an organisation is under a great influence of cultural dimension of individualism – collectivism. In individualistic cultures, organisations are basically instruments. They are created to serve individual owners, employees and clients. Members enter an organisation because it is in their personal interest. Their relationships are abstract, legal, regulated by contract. They cooperate because they have their individual interests. Everyone does a diffrenet highly specialized task and is rewarded for that. Authority comes from individual's skill to do the tasks, and everyone's knowledge is used so that an organisation can operate effectively.

In collectivistic cultures organisation represents a social context shared by all members and which gives them meaning and purpose. Employees are expected to be emotionally loyal, and in return the organisation takes care and responsibility for the wellbeing of its members in a wide context, from their status in the society to providing education for their children. Organisations often resamble a big family, community or a clan which develops and takes care of its members. The growth and prosperity of an organisation are not considered 'a goldmine' for individual shareholders or top managers, but are in itself a valuable goal.

2.2. Vertical relations (hierarchy)

One of the main issues of human existance, which different cultures found different answers to, is about inequality among people. Inequality among people is multidimensional and can be expressed in prestige, wealth or power; different cultures place different importance to a status in these three fields. Successful sportsmen, artsits and/or scientists have a special status in all cultures, but only in some of them do they have wealth, and rarely power. In some cultures politicians enjoy status and power without wealth, and businessmen wealth and power without status. In general, there are two opposite forces in every culture. One is trying to differentiate status in all fields, while other is trying to maintain equality among people by denying status in one field.[47] The battle between these two forces – status cosistency and general equality – makes one of the main dilemmas in every culture.

According to Trompenaar and Turner, all cultures give certain members a higher status than others, thus showing that we should pay special attention to these people and their activities. While some cultures give status to these members based on their achievements, other cultures give it based on their age, social class, gender, education, etc. We can thus divide cultures

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[47] Hofstede, G., G. J. Hofstede and M.Minkov, Cultures and Organizations, McGraw Hill, 2010

into those where a status is achieved by one's own activities, and those where the status is ascribed based on already existing attributes.

When we observe a person, we are partly influenced by his or track record (the best salesperson in the last five years), but also other factors can have an influence, such as: age (more experienced salesperson), gender (male and agressive), social connections (acquaintances at high places), education (best student at Sorbonne) or profession (marketing is the profesion of the future).
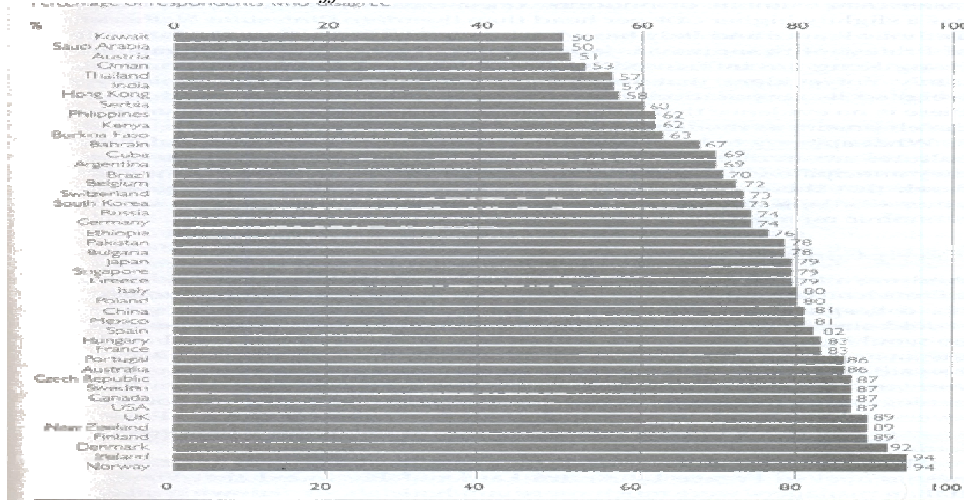
While some factors are not logically connected with business, such as gender or race, it is possible to predict success in career pretty logically based on some other factors such as age and experience, education and professional qualifications. For example, a culture can ascribe higher status to better educated employees believing that the success they showed during their studies lead to a better business success. These employees can be included in the management traing programs right away and thus direct them towards the top of and organisation.

Table 1.[48] shows to which extent status is ascribed, or achieved in different cultures. Serbian culture shows similiarities with cultures that ascribe status based on background, education or tenure. It is interesting that according to Trompenaar's research we find the same situation in Austria, while Bulgaria, Greece and Hungary with median values.

Most of the scientific literature in the field of management believes that the orientation towards acheivement is part of 'modernisation' and a key to economic and business success. According to this theory once you start rewarding success at work, the whole process begins to uphold itself. People work hard to achieve esteem in their cultures. This is the core of the Protestant work ethics: self-realisation through work. According to this view, cultures which ascribe status are economically underdeveloped because the reason for ascribing a status does not hasten commercial success.

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[48] Source: Fons Trompenaar, C.Hampden-Turner, Riding the Waves of Culture, McGraw Hill, New York, 1998

Table 1.Status in different cultures..

Country	%
Kuwait	50
Saudi Arabia	50
Austria	51
Oman	51
Thailand	57
India	57
Hong Kong	58
Serbia	60
Philippines	62
Kenya	62
Burkina Faso	63
Bahrain	67
Cuba	69
Argentina	69
Brazil	70
Belgium	72
Switzerland	73
South Korea	73
Russia	74
Germany	74
Ethiopia	76
Pakistan	78
Bulgaria	78
Japan	79
Singapore	79
Greece	80
Italy	80
Poland	81
China	81
Mexico	82
Spain	82
Hungary	83
France	83
Portugal	86
Australia	86
Czech Republic	87
Sweden	87
Canada	87
USA	87
UK	89
New Zealand	89
Finland	89
Denmark	92
Ireland	94
Norway	94

The thesis that the orientation towards achievement is a key to economic success is diputable. It is obvious that Japanese custom of promotion based on tenure did not slow economic growth of corporations. In short there is no eveidnece that any orientation at a 'higher' level of development, as theorists of modernisation once claimed.

Members of cultures where status is achieved can be bothered becaues negotiators from culture where status is ascribed have a *grey eminence* in the background to whom they have to submit all the proposals and changes. It is often not even clear what that person exactly does or wants, but he simply expects respect from you and his team which constantly seeks even smallest signs of approval or disapproval. Contrary to this, members of a culture where status is ascribed are also bothred when they find themselves in front of young men and women from cultures where status is achieved who por information on them as if it was ammunition that will force the opposite team to surrender. Negitiations with young people who achieve status without much experience often insults members of cultures where status is ascribed after many years of tenure. These cultures usually spend much time training and educatiing their employees in order to ensure that the older ones are actually smarter and more educated the more years they spend in a corporation and the more subordinates they have who regularly report to them.

In his research of cultural diversity, Geert Hofstede also dealt with the issue of inequal distribution of power in a society. He named this cultural dimension power distance, and it describes the level to which members of an organisation or institution who have less power accept the fact that the distribution of power is inequal. Power distance is high in countries like

China and Turkey where subordinates, even at higher levels of an organisation, follow the orders from superiors without questions, and organisations and instututions are typically centralised and with a tall hierarchical structure which reflects existing inequality between those at the top and those at the bottom of the ladder. In these cultures inequality among people is expected even desirable because it is believed that a hierarchy in which everyone has a role is necessary for the societa to function well. These cultures are usually collectivistic, parents teach children to obey, and people who have less power dened on those who have more powerful, while privilages and status symbols are expected and are popular. Hofstede's research, conducted more than a decade ago, place Serbia in a high power distance group, although it is obvious today, both in family and in educational and business institutions, that it is decreasing. Romania, Croatia, Slovenia and Bulgaria belong to the same group, while Greece and Hungary have median values. Austria with a very low powwr distance differs from this group , as can be seen in Table 2.

In low power distance cultures, such as USA, but also Holland and Danmark, people believe in equality and equal opportunities, and social and organisational hierarchy exists mainly for practical reasons. These cultures are more often individualistic and parents encourage children's equality, and there is an interdependance between those with more and those with less powerr in a society, while people diapprove of status symbols and privileges. Organisations and institutions in these cultures are decentralised and have a flat hierarchical structure with less management levels.

*Table 2. Comparison of Hofstede's cultural dimension for Serbia, Austria and Greece[49]*
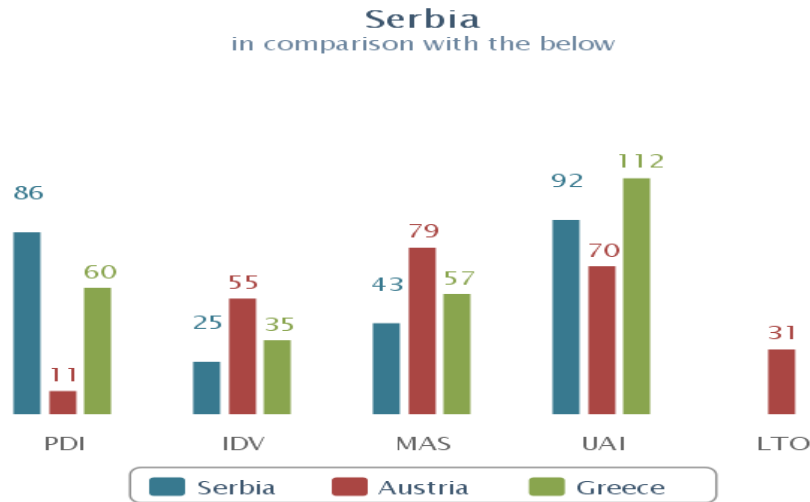
2.3. Essence of relations

We can observe he essence of interpersonal relations from different aspects but fundamentally there is a difference between cultures which place most importance on interpersonal relations themselves which spread to spheres of life, they are long-lasting and lead to mutual intimacy and deep understanding, such as in , for example Serbian culture, but also Mediterreaninan and Balkan culture in general, and those culturues which separate personal and professional spheres of life, such as Central, Western and North European cultures, where interpersonal relations are instrumental and focued on task performance. This difference is particularly evident in international communication.

Geert Hofsted makes difference betwee cultural dimensions of masculinity and femininity, meaning thier typical characteristics not their gender. In culture such as Japan and USA, and according to Hofsted Austria and Hungary belong to this group as well, with a prominent masculine dimension, dominant social values are success, money and material goods. Income, promotion at work and social acknowledgement is of big importance which results in fierce competition in interpersonal relations and high level of stress at work which takes a central place in a person's life. People live to work and young people are expected to succeed in their careers. Education system is aimed at favouring high productivity, and economic growth is more important than preservation of the environment.

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[49] Source: www.geert-hofstede.com

On the other hand, in Scandinavian cultures and in cultures such as Serbia, but also Romania, Bulgaria, Croatia and particularly Slovenia, which have feminine cultursal dimension, dominant social values are care for people and preservation of the environment, as well as quality of life in general. These cultures place great importance to interpesonal contact and friendly atmosphere. People work to live and interpersonal relations have priority over work. Education system is aimed at enabling young people to adjust to the society and for cooperation and great imprtance is placed on job security. *Table 3. Comparison of Hofstede's cultural dimension for Serbia, Slovenia and Hungary[50]*
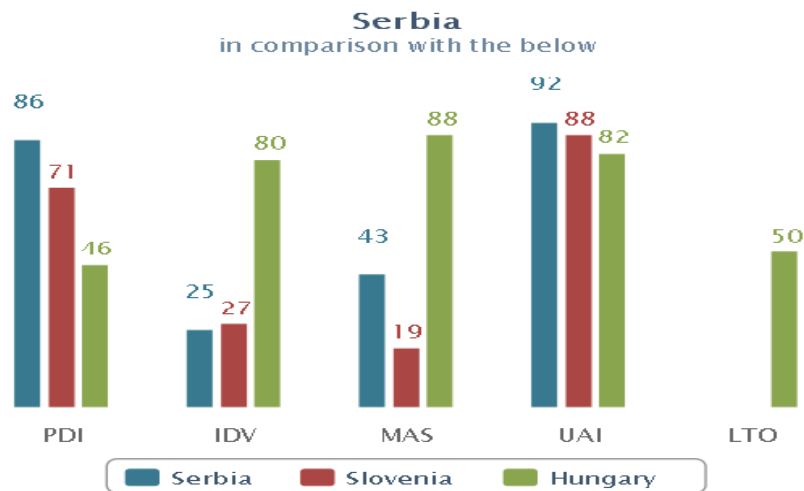
According to the extent to which they display emotions we can divide cultures into affective and neutral[51]. The amount of emotions that we display is often a result of a social convention. Serbian culture, which belong to affective cultures together with Mediterranea and Balkan cultures, is characterized by diplay of emotions and gesticulation as an expression of engagement and interest for interlocutors and assignments. Members of neutral cultures do not diplay emotions to the same extent. In British and North American cultures as well as in North West Europe control of emotion is a sign of civilized behaviour. Norms of emotional neutrality disregard anger, excitement or intense feelings as unprofessional.

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[50] Source: www.geert-hofstede.com

[51] Fons Trompenaar, C.Hampden-Turner, Riding the Waves of Culture, McGraw Hill, New York, 1998

Extremely neutral or extremely affective cultures could have problems in doing business. Neutral person can easily be characterised as cold-blooded, while affective person would seem inconsistent and irresponsible. When these cultures meet, it is most imprtant to recognize the differences and refrain from making conclusions based solely on the presence or absence of emotions. It is necessary to include rational, moderate parameters as well.

Closely related to the issue of emotion display in relations with others is a way in which and an extent to which we engage others in our areas of life and individual levels of personality, and whether it is present in some or in all life situations. Accordint to this difference, Trompenaar and Turner divide cultures into specific and diffuse[52], i.e. low context and high context cultures[53], as Edward T. Hall named them.

Table 4[54] shows the dividsion of cultures to specific and diffuse in the world. Wwe can see that according to this research, Serbia, as well as Hungary, are at the very top among diffuse cultures, as well as Greece with somewhat lower score, while on the other axis, among specific cultures, we find Austria.

Table 4. Diffuse and specific cultures
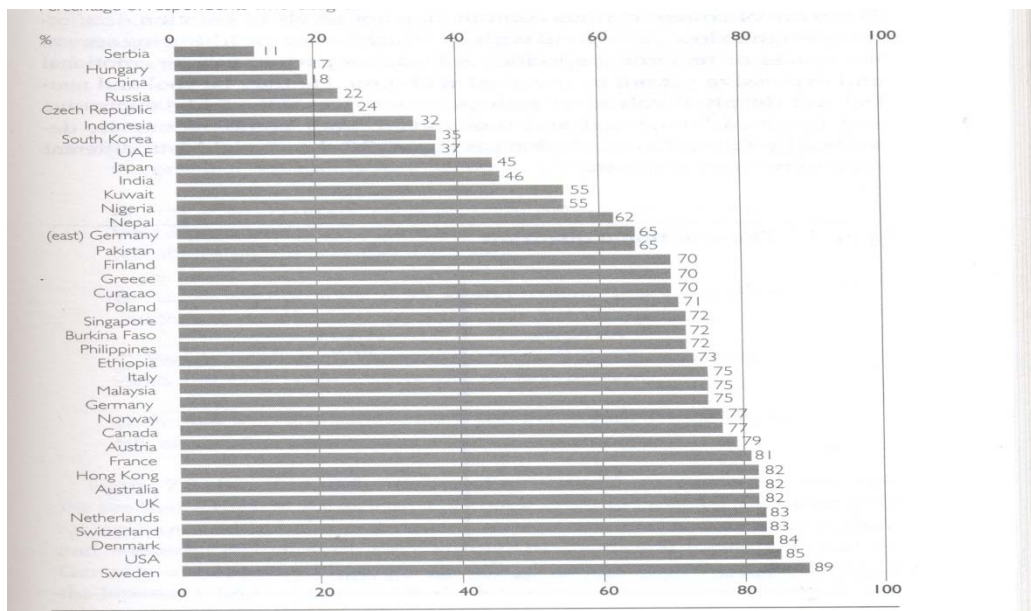
[53] Edward T. Hall, The Silent Language, Anchor Books, New York, 1990

[54] Source: Fons Trompenaar, C.Hampden-Turner, Riding the Waves of Culture, McGraw Hill, New York, 1998

This is the dimesion where the balance between private and professional is of most importance. The intervening of specific and idffuse leads to greatest success, if we realize that privacy is necessary, but a complete separation of private life leads to alienation and superficiality.

In specific culture, i.e. low-context cultures, a manger differentiates the relationship with the subordinates at a specific task from other situations. If you meet some of them in a cafe, at the golf course or on vacation his authority does not transfer to this new situation. Every area where they meet is considered separate, specific case, and private life is strictly separated from the professional one.

In duffuse cultures, i.e. high-context cultures, every part of our life and every level of our personality intervene. A director has great authority wherever you meet him. If he runs a company, it is widely accepted that his opinion about cuisine is better than the opinion of the rest of the employees. His taste in clothes and his value as a citizen are permeated by his director title and he himself expects to be treated so whether at work, in the street, club or at a shop. Here private and professional, i.e. public space overlap and permeate. One of the problems in the encounters between specific and diffuse cultures is that one culture sees as private what other sees as public space.

Edward T. Hall*[55] calls specific and diffuse cultures as low-context and high-context cultures. A context determines how much information we need for effective communication and how much common knowledge is implied between those who communicate. High-context culture, such as Serbia, Greece, Bulgaria, Romania but also France and Italy, believe that strangers need to be informed about all the circumstances before we can move to business successfully because in thewse cultures most information is contained in the person and only a small part is in the coded, explicit part of the message. Coded, verbal message is adjusted to and interpreted by the context, therefore it is necessary to be informed in advance and follow nonverbal signs during communication. Low-context cultures, such as Austria, USA and Holland, believe that communication about a particular business contains all necessary information in a coded message, whose meaning is often literal and does not require further interpretation. These cultures are very flexible and adaptable because they adjust to current conditions. High-context cultures are rich and subtle, but they carry a lot of 'baggage' and it is very difficult for members of different cultures to adjust.

Specific low-context cultures, especially American and Dutch, with their strictly separate private areas, have a great freedom of direct speech. A

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[55] Edward T. Hall, *Beyond Culture,* Anchor Books, New York, 1981

phrase 'Nothing personal' can often be heard in these cultures. In relations with diffuse high-context cultures this approach can be offensive. Specific cultures do not understand the concept of 'saving face', which happens when something which is considered private in diffuse cultures is announced publicly. It is precisley in order to save face that diffuse cultures beat around the bush before getting down to real business. Uit is important to avoid confrontation, precisely because it is impossible for the participants not to take it personally. Soth-East Euripean cultures, then Latin American, Asian (Japanese, Chinese, Arabic) and Mediterreanian culture, where ther are intnse information contacts with a family, friends, colleagues, and clients and where people are very much engaged in close personal relationships, when communicating above all take care to maintain that relationship. Members of low-context cultures, such as American, Austria, German, Swiss and Scandinavian strictly separate personal and business relationships and for that reason they always need detailed and explicit information.

People from high-context cultures are impatient and irritated when people from low-context cultures insist on information they do not need. And vice versa, people from low-context cultures are confused when high-context cultures do not offer enough information.

One of the greatest challenges in intercultral business communication is to find appropriate level of context in a particular situation. This is usually done automatically in one's own culture, but in different cultures their messages are often misinterpreted and miss the target. Therfore it is vital to raise awareness about culture and cultural diversity in international business.

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European Union, as a composer of the music of European cultural diversity, in its relations with Serbia and Central and South-East European countries, has placed a special accent om fostering intercultural dialogue and promoting cultural diversity in order to bring peace, cooperation and progress to this region. Serbia, with its rich cultral heritage and tradition, in this respect, has a special role and responsibility in promoting and preserving Serbian culture, as well as cultural diversity of Central and South-East Europe. These efforts are necessary not only to preserve cultural-history identity, but also to foster economic prosperity and successful business cooperation in the whole region.

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