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# PROCEEDINGS 2016

## Cross-Cultural Business Conference 2016

19<sup>th</sup> – 20<sup>th</sup> May 2016

School of Management, Steyr Campus

### Intercultural Perspectives in

- >> Global Business, Marketing, Sales and Service Management
- >> Higher Education Research
- >> Higher Education Teaching and Learning
- >> Human Resource Management

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UNIVERSITY  
OF APPLIED SCIENCES  
UPPER AUSTRIA

Proceedings

# **Cross-Cultural Business Conference 2016**

**May 19<sup>th</sup>-20<sup>th</sup>**

## **Sessions**

Intercultural Perspectives in Global Business, Marketing, Sales and Service Management

Intercultural Perspectives in Higher Education Research

Intercultural Perspectives in Higher Education, Teaching and Learning

Intercultural Perspectives in Human Resource Management

## **Editors**

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# PREFACE

In this new age of globalization, cross-cultural and economic issues are increasingly becoming the center of attention in a variety of fields. Therefore, it is vital for both researchers and practitioners to continuously enhance and share their knowledge of their particular research areas and to embrace intercultural and economic aspects in their everyday working lives.

The Cross-Cultural Management and Emerging Markets Centre at the University of Applied Sciences Upper Austria, School of Management in Steyr performs research activities for the study programme Global Sales and Marketing, addressing such cross-cultural topics.

In cooperation with the School of Informatics, Communications and Media in Hagenberg, the Cross-Cultural Business Conference 2016 is carried out to deal with intercultural perspectives in:

- Session A: Intercultural Perspectives in Global Business, Marketing, Sales and Service Management
- Session B: Intercultural Perspectives in Higher Education Research
- Session C: Intercultural Perspectives in Higher Education, Teaching and Learning
- Session D: Intercultural Perspectives in Human Resource Management

We would like to thank all conference participants who made their valuable contributions and hope the conference will strengthen our partnership and to serve as a platform for further research cooperation.

Sincerely,



Dr. Gerald Reisinger  
University President



Prof. Dipl.-Ing. Dr. Margarethe Überwimmer  
Dean of the School of Management  
Head of Studies Global Sales and Marketing


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## Key Note

### “The Feasibility of Political Order”

Prof. Dr. Werner Patzelt, TU Dresden

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*Counterfactually, we take political order for granted. But it is not, as we are taught by the contemporary experience with regime collapse. So we better look at what makes political order feasible and viable. This is cultural capital (i.e. 'governmentality'), social capital (like a stable civil society), and well-designed institutions.*

Prof. Dr. Werner Patzelt was born in 1953 in Passau, Germany and since 1992 he has been a full professor of comparative government, Political Science Department, Dresden University of Technology (TU Dresden). His areas of research are comparative government, comparative research of parliamentarianism and political communication. In 1984 he received his doctoral degree in philosophy through his work Basic Principles of the Ethnomethodology. In 1992 he became the founding professor of the Institute for Political Science at the TU Dresden, where he took over over the professorship for political systems and the comparison of systems. Since then he has also been guest lecturer at the University in Paris, Stellenbosch, Ankara and Moscow. Among others, he has been a long term member of the executive committee of the International Political Science Association and has received many awards such as the cultural prize for Ethnomethodology (1985).



**Opening Keynote:****“Seeking for the Best - HR Management in a Multinational Company”****Mag. Judith Kaltenbrunner, BMW Group**

Mag. Judith Kaltenbrunner has a background of market research and empirical investigations, and has been pursuing her career at BMW Group since 2001. Starting as a technical purchaser, she is now in a leadership position and has full responsibility over the HR department at BMW at the plant in Steyr.

**Closing Keynote:****“Lost in Translation – How to Bridge the Gap”****Mag. Belinda Hödl, The Austrian Federal Economic Chamber**

*We live in a world of fundamental change: digitalization, globalization and diversity. Cooperation of businesses and universities (of Applied Sciences) should always be alliances for innovation. In fact those two worlds exist parallel and often even apart, confronted with a clash of cultures, and sometimes lost in translation.*



Mag. Belinda Hödl started her career as an Expert for Environmental Policies at the Austrian Federal Economic Chamber (WKO). She defected to the cabinet of the State Secretary of the Federal Ministry of Economics, Family and Youth later on and has been Senior Advisor for Higher Education Policy at the WKÖ since 2011.

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# Session A

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Intercultural  
Perspectives in  
Global Business,  
Marketing, Sales and  
Service Management

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**Chair:**

Teresa Gangl

Christian Stadlmann

Jovana Tomovic

Andreas Zehetner

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# ***Global Strategic Partnerships – A New Paradigm for Academic Institutions***

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## **ABSTRACT**

In this paper the authors have highlighted the need and significance of strategic partnerships between academic institutions. The importance of establishing Strategic Global Partnerships for the academic institutions has gained importance over the last decade or so. With increasing aspirations of students to gain an international exposure in education, the academic institutions in each country across the globe are seeking ways and means to enhance the research, develop joint curriculum, teaching programs and exchange best practices of governance. With the increase in the flow of information, it has become quite easy for the students to explore, discover and apply for international opportunities and benefit from them. The authors have emphasized that identifying appropriate partners is of utmost importance and 'what makes these partnerships strategic'. It is observed that an institution in one country may aim to collaborate in many academic and non-academic activities in either one single institution in a particular country or highly reputed group of institutions to achieve mutually beneficial objectives. Invariably such objectives include enhancing research, develop joint curriculum and teaching programs, or just exchanging best practices of management. In this context, it is being perceived that a lot of value gets added by collaborating with highly reputed international partners and such strategic partnerships define an Institution's International stature. The need for such partnerships drives innovations in different facets of an academic institution thereby making it an attractive destination for the students as well as its partners. The authors have attempted to define 'strategic partnerships'. A partnership is considered to be a strategic if it covers both the breadth and depth of the collaborative activities. The term 'Strategic' suggests that participants understand and agree to the cross-cultural perspectives of such collaborations and do not need any further consensus. Strategic partnerships become successful only when the institutions do not over emphasize one's own interests and culture and take into cognizance the potential differences that may exist. Further, this article attempts to define the role of international relations department and explains the change in the thinking of Heads of international relations department who are going all the way to establish Strategic Partnerships rather than very loose kind of cooperation.

"Diversity is delightful" principle is a driving force of forming such partnerships. The International Relations Department has to ensure that there is a cultural mesh between the potential partners before going for collaboration. These collaborations can result into very productive partnerships once the institutions understand the strengths and weaknesses of the partner institutions. These strategic partnerships can be incredibly enriching once the cultural differences between the partners are clearly understood and taken cognizance of.

The paper touches upon the guidelines for making such partnerships successful by ensuring that cross-cultural perspective of two institutes' mesh very well. Having ensured this, the partners start discussing the types of the programs, faculty research interests and expected outcomes for study, teaching and research abroad. A due-diligence is called for because many times it is observed that after going through an extensive task for formulating an agreement, it is found that your institute's partnership is not a priority. Therefore, it is important that we should begin with by undertaking small projects jointly. Further, it is necessary to have a personal commitment of the top management to make collaborations successful. The article also lays down the various criteria that might be used for measuring success rate of strategic partnerships in endeavor towards internationalization. Globally, institutions have realized that such

partnerships cannot be shortcut for internationalization. In fact, it has to become a figurehead for international partnerships.

The authors have also touched upon the funding mechanism introduced by various countries, especially in Europe encompassing activities like research, institute level cooperation in different subjects and fields. Further, the authors have also specified that it covers all networking activities. These partnerships may increase the international visibility of an institution but the main benefits will accrue only in the long term and therefore a lot of investments may be required to make such strategic partnerships more productive. Thus, the academic institutions have to indulge in experimentations on an ongoing basis and have to be more flexible and patient in measuring results, which help in avoidance of wasting their resources.

## **1 INTRODUCTION**

The rise of middle class in Brazil, Russia, India and China as well as in Mexico, Indonesia, Nigeria and Turkey (the BRIC and MINT countries) has spurred a demand for education, expanding the global educational market. According to OECD findings, number of students enrolled into higher education outside of their country of residence has doubled since the year 2000 and aforesaid countries have been exceptionally successful in attracting foreign students, increase being 241% in Asia, and 279% in Oceania. Technology has increased the flow of information, making it easier for the students to explore, discover and apply for international opportunities and benefit from them at home as well.

With increasing aspirations of students to gain an international exposure in education, the institutions of higher learning are establishing strategic partnerships with academic institutions in different geographical regions of the globe. In this process identifying appropriate partners is of utmost importance. What is it about these partnerships that make them strategic? Typically, an institution in one country aims to collaborate in many academic and non-academic fields with a single institution or highly selected group of institutions to achieve mutually beneficial objectives. Such objectives might be enhancing research, develop joint curriculum and teaching programmes, or just exchanging best practices of management. Strategically, the added value is perceived to help the participating institutions by collaborating with highly reputed international partners, thus making them more international. Generally speaking, it may be noted that non-strategic partnerships are as essential as the strategic ones in defining an institution's international stature. However, such partnerships are rarely considered as illustrating international quality. Nevertheless, these are important to various departments individually and the institution as a whole because they act as a stepping stone to internationality for all the constituents of the institute and act as a pool out of which the next level of strategic partnerships are derived.

These trends drive a rising need for innovations in branding, standing out in order to be an attractive destination for partners and students in the crowded global education market. Traditionally institutes with strong brands and international rankings have been the winners, while institutes outside this sphere remain fairly unknown on the international scene. Such institutions are more dependent on the context they are in viz., closeness to industry, the region and city they are situated in and the culture that surrounds them. To position a particular institute, strategic national and international alliances, as well as branding initiatives have proven successful, where participants from more than one area collaborate. The future definitely belongs to successful collaborators, the old paradigm of individual competitor institutions in higher education is dead.

### **How do we define strategic partnerships?**

The term 'strategic partnership' suggests similar motives exist among participants for initiating the partnerships. A partnership is usually labelled with the adjective "strategic" if it covers more

areas of cooperation or reaches a certain level of depth or history. The term also suggests that in this category of partnerships; participants understand and agree to its meaning and scope and therefore do not need any further consensus. However, it camouflages the details of an institution's strategy as to what exactly one hopes to achieve with international partnerships beyond publicity and in which specific areas it wants to cooperate. Such a kind of 'loose partnership' acts as a hindrance for measuring success as well as an encouragement to creativity thereby leading to stagnancy on one hand and potentiality on the other.

These 'strategic partners' are intimately connected to one's own institution- the ones who have worked with for some time. Overemphasizing one's own interests and not taking the potential difference of purposes into cognizance can be detrimental to the relationship as a whole. Yet all these concerns may remain unspoken and hence unattended.

The notion that the strategic partnerships are the golden league of international academic cooperation always motivates institutions to engage in them. Nonetheless, not many institutions are able to measure the success or failure of strategic partnerships as the above-mentioned multi-faceted situation presents quite a complex picture.

## **Selecting and Managing Partnerships**

Finding the right strategic partner is challenging for institutions/universities of any size, but this can be particularly significant for smaller institutions/universities. Once the international relations department of an institute identifies potential partners that share common academic programmes and international goals, it becomes important to identify key faculty and personnel who will spearhead the proposed international initiatives. Selected partners often emerge from previous but neglected or looser cooperation, also even as a result of a bottom up processes, upon suggestion of a faculty member.

Prospective partners shall share a mutually agreed vision and purpose of their cooperation. This vision is often based on the "Unity is strength" principle, in which case partners have a similar profile in terms of research and education portfolio and want to add up their capacities to get better and international results. On the other hand the "Diversity is delightful" principle could be also a driving force of forming strategic partnership. In this case partners complement each other's different portfolio and capacities - enabling synergy and innovation. The compatibility of the size and culture of the two institutions must also be assessed. Knowing the number of students and employees as well as class size at each institution is helpful. If these numbers vary greatly, the partnership can still work, but it might be challenging. For example, are students used to being one of the hundred students in a large lecture hall, or are they used to small interactive classes? How mobile and independent are the students and faculty at each institution? Are they located in a city or country that your students and faculty would find interesting?

A large institute in a large city might not be the best match for a small institute in a small town because it might be difficult to maintain a reciprocal partnership. Students and faculty from smaller institutes are also accustomed to having a great deal of personal attention and knowing exactly whom in their institute they can reach out to if they have a particular question or problem. In addition, if students of smaller institutions are accustomed to living on or very near their institute's campus, larger institutions can address concerns of accommodation to the students by clearly explaining what housing arrangements are available, preferably with photographs, how much will it cost and what is included in that cost.

## **Guidelines for making partnerships successful**

After ensuring that the two institutes' cultures and goals mesh, potential partners can begin discussing the gaps in their current study abroad programmes, types of programmes that they would like to offer, faculty research interests, and expected outcomes for study, teaching, and research abroad. It is pertinent to note here that some or most of these interests and expected outcomes should be a good match. It is also essential to ask the potential partner as to how many current active international partnerships they have and how much time and other resources they are able and willing to invest in developing a partnership with your institute. Many times it is observed that after going through an extensive task of formulating an agreement, it is found that your institute's partnership is not a priority.

To begin with, undertaking small projects jointly can be an important consideration. Even if your mid-term objective is a more grandiose one, for example a joint degree programme. Once the small-scale programmes have been initiated and assessed, for instance a joint certificate program, the partnership can develop into full-semester or year-long exchanges, faculty research projects, and more. Developing strong personal relationships between the individuals involved in partnership will also help the programmes to continue even if there are some anomalies, as there will be a lot of understanding and mutual support for each other as well as dedication to the programme. It is also essential to have the personal commitment of top management. At the end of the day they are the one to provide funding, human resources and sometimes to break through walls ensuring the joint projects' success.

Successful partnerships involve different stakeholders from their environment. Higher education institutions do not function in a vacuum, they are in constant interaction with the local and regional society, economy and business, sometimes even with politics. These actors shall be invited to have an insight and contribute to the significant activities of a strategic partnership. Let's say partner higher education institutions consult prospective regional employers about qualification requirements of a new dual degree programme; promise interns to NGOs, invite executives and opinion leaders to hold lectures, etc. It is crucial for international relations managers to meet frequently faculty champions committed to the international programme's success and to maintain consistent communication with the team. This could of course result in tremendous traveling and accommodation expenses, therefore successful strategic partners use highly developed ICT techniques to bridge communication gap. E-learning and other solutions are also getting more and more popular in teaching as well.

If institutions do their homework and understand the strengths and weaknesses of the partner institutions, it can result into very productive partnerships. It is also important to be patient and stay positive. Just because a programme does not run as expected during one semester does not mean that it will not succeed at all. It is important that the institution plans programme reciprocity and perform continual assessments and adjustments to make the partnership sustainable.

## **How do we measure the success rate?**

While it is appropriate to have more quantified data about the benefits of partnerships in general, and more indicators defining how they help realize an institute's missions, very few institutions actually are able to collate information useful in measuring the contribution of international partnerships. If we invest time, personnel, and money into strategic partnerships and expect success, we must measure them more effectively and be able to analyze the results. It is important to have a yardstick to measure and document success or failure of internationalization.



Various criteria might be measured among the following activities: increased mobility of scholars and students, number of joint publications, workshops and summer schools involving scholars and students, shared research projects, additional third-party research funding, joint degrees, conferences at student and scholar levels, internships, shared language training, staff exchanges, as well as co- and e- teaching activities. The simultaneous presence of many of these international modes of cooperation is an indicator that it is a special partner or a group of partners with which it will be advantageous to develop more possibilities. At the end of the year we should reach the agreed numbers instead of only looking at the numbers exchanged and summer schools held. This is what defines the success of strategic partnerships.

A fair indicator system of internationalization supports the higher education institutions strategy and measures contribution to individual and institutional success. It makes the teaching staff feel that they have the opportunity to develop their own career in terms of publications, academic fame, while maybe having a good time as well. It also gets reflected in the institution getting more attractive for prospective students and its reputation increasing internationally by way of ranking, attracting better quality students, meeting national or international programme accreditation criteria etc.

### **Is success a relative term?**

Apparently, success seems to be relative term that is variable only to a particular institute. One can maneuver between several international variables such as extent of students and faculty mobility, research workshops, projects, rankings etc. There are stories of internationalization describing complex projects of cooperation including what may be called as 'event internationalization'-the production of highly publicized one-time international event using public relations as a means to demonstrate the university's international quality though on an ad-hoc basis. Academic institutes focusing more on students' activities will emphasize on students' mobility and joint degrees whereas those more focused on research excellence will showcase joint research activities with international partners, research based guest scholars and the like. Therefore, in measuring the quality of strategic partnerships, two variations of the identical activities will be encountered. It may happen that one partner considers the partnership successful while the other does not consider so, depending on the context of the criteria they are applying.

### **Are partnerships shortcuts to success?**

In view of the multi-faceted and complex situation, why do academic institutions enter into strategic partnerships? There are a number of well-defined motives other than the fact that having a strategic partner seems to provide a defined path to every university or an institute's official international stance. One of the most common reasons for engaging in strategic partnerships is that institutions enhance their reputation and credibility in the glory of their partner's reputation and credibility.

Moreover, as the need for research necessitates the engagement of scholars from multiple disciplines and academic institutions, it is felt that the academic institutions can provide full gamut of the scholarly experience by joining learning and research resources with international partners. The idea of partnering is also seen as a method of optimizing one's institute's use of third party financial resources for funding research projects.

Many academic institutions use strategic partnerships as shortcuts in communicating their strategy for internationalization. The strategic partnership becomes the figurehead for international partnership that is assumed but does not necessarily get exhibited.

## **Ease of Funding**

A strategic partnership may also be used as a way to focus faculty interest on certain institutes only especially if the partners allocate certain funds for sustaining collaborations. It is observed that with such alliances firmly in place funding becomes readily available. For instance, the European Union in the framework of the new ERASMUS+ program created two instruments within Key Action 2, which are dedicated to support international cooperation of HEIs. "Strategic partnership" instrument provides funding for consortia of at least three HEIs from the EU28 member states to develop innovative quality educational programs equipped with new learning and teaching methods. By the year 2020 the target is to involve at least 125,000 institutions into the program. "Capacity building" instrument gives incentives to European HEIs to create consortia with HEIs of developing countries and assist them in modernization of their curriculum and administrative capacity. This latter initiative has a budget of 125 million Euros to support these activities in the next 7 years.

In addition to the European way of thinking, national governments also believe that internationalization is in favor of enhancing quality of education. For example, Austrian Agency for International Cooperation in Education and Research (OeAD-GmbH) introduced a funding mechanism which focuses on the development of strategic partnerships. The enormous varieties of possible partnerships that can be funded encompass activities such as shared research theme, institute level cooperation in different subjects and fields. It may cover everything from networking activities to focused bilateral memorandum of understanding.

## **Transparency - An important prerequisite**

In order to get the maximum mileage out of strategic partnerships, it is important for the partners to define what they propose to get out of the partnership. The willingness to engage and the financial investment are no substitute for projecting possible advantage both in research and in teaching cooperation. Quite often, there are ambiguities in the agreement and assumptions are made on both sides, hindering close cooperation. For instance, the need for providing tuition waivers by the host institution for the students coming from partner institution can create unforeseen problems if one does not negotiate around this fact.

## **Benefits and Pay-offs**

The need to define expectations and realization that there will not be any significant pay-offs in the short-term are essential preconditions to entering into strategic partnerships. These partnerships will increase the international visibility of an institution but the main benefits will only become clear in the long term, and require investment.

To view strategic partnerships as experiments at all levels of interaction is the most useful stand an institution can take and it will involve having administrators, scholars, and students who will act as a catalyst in pushing the partnership forward. It will also involve reviewing the development on a regular basis and being willing to readjust the focus of the relationship. Such experimentations on an ongoing basis and flexible attitudes will certainly make measuring results more difficult, but it is necessary if the institutions want to avoid wasting their resources.

## **2 CONCLUSION**

Institutions around the world have been partnering with each other since quite some time but what is different today is the increasing pressure to invest in mutually beneficial and sustainable partnerships. The future belongs to those institutions, who are capable of establishing state-of-art alliances, and not to those, who wish to reach excellency on their own and store their

knowledge within an elephant bone tower. Institutions are looking to do it right and well. Gone are the days of fruitless, inactive agreements and superficial handshakes. Today's partners focus on strategy, intentionality, and results, often requiring specific expertise in navigating through collaborative agreements.

The interest in increased student and faculty mobility continues to be the driving force behind initiating higher education partnerships. Notwithstanding the same, institutions are now identifying many new areas and frameworks for international research collaborations. One of the more complex forms of international collaboration is emerging trend of joint and double degree programmes. While many institutions find it challenging to organize, these collaborative degree programmes continue to gain traction around the world partly because they offer opportunities to build strong academic and institutional partnerships.

Strategic international partners share best practices and align their goals across campuses so that the experiences of students, faculty, staff and administrators are interwoven and share a common international fibre. Most of all, these partnerships act as a catalyst for internationalizing the campus, projecting institutions onto global stage through study abroad programmes, faculty exchanges, joint research, dual degrees, and other collaborative activities.

With increased interest, research and awareness about the ever growing phenomenon of international partnership, one can expect to see many more fruitful, mutually beneficial international partnerships and sustained educational relationships across national boundaries. Further, international collaborations can be incredibly enriching for the institutions provided cultural differences are clearly acknowledged and agreements are made about how to work around ethical issues that affect collaboration between institutions, failing which certain crucial issues can arise. What happens when one partner's cultural customs or operating procedures conflict with practices, values, ethical principles, and/or laws of the other? For instance, if one partner believes that women should not be admitted to a joint programme, or certain ethnic groups should not have access, should local customs be honoured?

Finally, awareness of cultural differences while offering clarity about one's ethical position makes for successful cultural interaction that helps sustain partnerships over time.

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# ***The Czech and Slovak Republics: A Cross-Cultural Comparison***

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## **ABSTRACT**

**Objective:** The paper attempts to compare the cultures of the Czech and Slovak Republic in a business environment.

**Methods:** Establishing a list of cultural dimensions extracted from reputable models, the authors applied a systematic behavioural comparison of each country.

**Limits:** The work of the authors was limited by two factors. Firstly, the cultural proximity of the countries provided many slight differentiations. Secondly, the analysis was hampered by the few of available cross-cultural statistics for the countries reviewed.

**Results:** The analysis showed that both countries have a narrow cultural gap and share many cultural traits. However, a few noticeable differences were isolated: Particularism, Specificism and Emotions display.

**Conclusions/Recommendations:** Due to the lack of available reliable quantitative data about the Czech and the Slovak cultures, further research such as factor-analysis questionnaire is suggested.

## **1 INTRODUCTION**

The Czech and Slovak Republics share a long common history and enjoy a rich connection with many mixed families. To many, cultural differences between the countries are often ignored, if not negated. Up to 200,000 Slovaks live in the Czech republic while nearly 50,000 Czech are located in the country of their Eastern neighbour (SOSR, 2016). Nowadays, they work together in local and international companies that often consider the two territories as a single market. Therefore, when asked about the differences between their cultures, most Czechs and Slovaks sincerely do not see any.

How to compare what used to be the same? It is a challenge to compare two cultures like the Czech's and Slovak's that used to be one for such a long time. Are differences actually deep, or only on the fringes of cultures? A thorough review is needed, as, to the knowledge of the authors, no academic article devoted exclusively to these two cultures exist. Most articles covering the Czech and Slovak Republics have been published in the immediate post-communist period (Shafik, 1995; Garner and Terrell, 1998; Filer et Al., 1999) and very little studies have been conducted about their distinct cultural characteristics. For lack of available analysis, most sources present the two cultures as very close, if not similar.

Our purpose in this article is to apply the tools of cross-cultural studies, 14 cultural dimensions, to analyze two countries that shared a long history but became independent from each other 20 years ago. We shall display the cultural traits of the two countries and examine them for possible sources of misunderstanding.

## **2 BACKGROUND INFORMATION**

The close partnership between the Slovak and the Czech nations started during the Austrian-Hungarian Empire when they fought against the same foes, the Austrians and Hungarians. The official marriage was declared on 28th October 1918 when the Czechoslovakia was established. From then on, the Slovaks and Czechs have been collectively referred as “the Czechoslovaks”.

On 1st January 1993 the Czech and the Slovaks officially agreed to a “velvet divorce”. This term refers not only to the “Velvet revolution” which saw the country escape from the soviet control, but also to the warm atmosphere that prevailed when negotiating the separation. While the older generation still argues about this controversial political decision, the youngsters welcome this opportunity to easily study and work “abroad”. No language training is necessary as both languages are very close. A brotherhood feeling is still vivid at all levels of social and political life. This apparent proximity is still quite spread abroad as many identify the Slovak and the Czech republics as “Czechoslovakia”, even if there are now two independent nations. At the diplomatic level, the Slovak and the Czech governments share their political opinions and delegations regularly visit each other to share good practices. Both countries are part of NATO and since 2004 members of the European Union. They frequently stay on the same political line concerning economical or international relations topics. Since 1991, together with Poland and Hungary, they form the Visegrád group, a political alliance of central European countries cooperating in a wide spectrum of fields.

Despite this apparent closeness, when asked about their satisfaction with the status of this situation, being two independent countries, polls confirm the satisfaction of both the Czechs and the Slovaks with this “velvet divorce” (Inštitút pre verejné otázky). The smaller of the two, Slovakia is proud of its “own” government, embassies and adopting euro. Slovaks have transformed their country “from a younger brother of the Czechs” to an independent and competitive partner. The competition nowadays is primarily on the economical level, with both countries aggressively attracting foreign investors. While the two countries are key partners to each other (Slovakia is the second export market of the Czech Republic and its third importer; the Czech Republic is also the second export market of Slovakia and its second importer (Observatory of Economic Complexity, 2015)), they are both highly ranked in Foreign Direct Investment surveys with the Czech republic attracting 475USD per capita in 2013 and not far away Slovakia with 396USD. (EUcham, 2015) Despite having so much in common, it is clear the Czech and Slovak Republics are now two distinct countries with their own national interests. In the last 20 years, have they become two distinct cultures?

## **3 METHODOLOGY: USING CROSS-CULTURAL MANAGEMENT TOOLS IN INTERNATIONAL RELATIONS**

Cross-cultural management is an interdisciplinary field that draws upon the results obtained in other humanities. Originating in ethnology and sociology (Hall, 1966), it has developed in the last few decades by adapting the existing tools of psychology to analyzing and comparing corporate and national cultures (Kluckhohn, 1961).

A series of worldwide country surveys have been conducted (Hofstede, 1980; Trompenaars, 1993; House et al., 2004) offering researchers and practitioners practical tools for comparing national cultures.

By “national culture”, cross-cultural management means ethno-national cultures, i.e. countries. Much debated among the community (McSweeney, 2002; Hofstede, 2002; Margarethe et Al., 2012), this unit remains today the most commonly used to analyse similarities and differences in behaviours of groups of individuals belonging to various cultures, despite its shortcomings.

Derived from the various models and tools developed by researchers, the existing cultural dimensions allow for the analysis of national cultures, most often with applications to international management. This factor analysis provides simple ways to situate the likelihood of a given behaviour by members of a particular culture when confronted with an identified situation between two extremes or axes.

While the models using behavioural dimensions are numerous, the dimensions themselves are frequently the same (Dumetz et Al., 2012). In this article, the authors attempt to use cultural dimensions to analyse the business behaviours of individuals in Czech Republic and Slovak Republic. They also sourced their results in their own decade-long experience as cross-cultural consultants and lecturers. Because each cross-cultural model has its limits, and because each project needs a tailor-made selections of cross-cultural dimensions (Dumetz, 2016), the authors selected, as a framework of the article, a list of various cultural dimensions not associated with specific models. The dimensions are extracted mainly from the Trompenaars model, the GLOBE project, and the Hofstede model. However, other sources such as the SIMM model, TMA, TMC and World Value Survey were explored as inspiration.

**Table 1.** Cultural dimensions.

	<b>Cultural Dimension</b>	<b>Original Model</b>
1	Particularism Vs. Universalism	Trompenaars, 1993
2	Uncertainty Avoidance	Hofstede, 1980
3	Diffuse Vs. Specific	Trompenaars, 1993
4	Trust	Covey, 2008
5	Individualism/Collectivism	Hofstede, 1980; Trompenaars, 1993
6	Hierarchy	Hofstede, 1980; House, 2004
7	Achieved Vs Ascribed Status	Trompenaars, 1993
8	Masculinity Index / Cooperation vs Competition	Hofstede, 1980; House, 2004
9	Neutral vs. Emotional / Assertiveness	Trompenaars, 1993; House, 2004
10	Locus of control	Rotter, 1966
11	Deductive/Intuitive thinking	Foster, 2000
12	Past/Present time orientation	Kluckhohn, 1961
13	Short/Long term orientation	Hofstede, 1980
14	Monochronic Vs Polychronic	Hall, 1973

## 4 CULTURAL DIMENSIONS

Clearly, the Czech-Slovak relationship is not only strictly speaking cultural. However, cultural dimensions can be used to suggest fruitful indications as to the type of current relationship between the two nations.

### 4.1 Dimensions linked to Relationships

**Particularism/universalism** is about choosing between agreed upon rules or bending existing rules to fulfil engagements in a relationship (Trompenaars, 1993). Here lies a first difference, with the Slovaks displaying slightly more particularistic behaviours than the Czechs. Slovaks condition their business relationships with trust and sympathy more than the Czechs do. For instance, promotion criteria may value a lot professional competency but the ability to approach people and build private contacts might make a difference.

Yet, in both countries success depends greatly on connections with influential people. As a clear link exists between Particularism and corruption, both countries rank at the same level (56 for Czech Republic and 50 for Slovak Republic according to Transparency International (2015), hence confirming the proximity of the two cultures regarding their tolerance for cronyism and corruption in public affairs.

It is actually interesting to notice that to cooperate in the Czech Republic, the Slovaks often prefer to interact with the inhabitants of eastern part of the country, Moravia, geographically half-way between Prague and Bratislava. A cultural continuum runs from a rather universalistic Bohemia towards a more particularistic East of Slovakia with citizens of Košice, near the Ukrainian border, the most tolerant towards exceptions.

Hofstede's **Uncertainty Avoidance**, a concept close to Particularism/Universalism, is quite higher in the Czech Republic than in Slovakia. This dimension involves the extent to which ambiguous situations are threatening to individuals, the extent to which rules and order are preferred and the extent to which uncertainty is tolerated in a society. The Czechs are not fond of uncertainty and much favour situations to be clear and not ambiguous. The lower uncertainty of Slovaks is displayed in their need to build relationships before engaging in further business. If they trust someone, they are willing to take the risks because in their understanding everything depends on "people".

Some differences appear with the **Specific/Diffuse** dimension. A diffuse culture means the split between one's public and private life is not really clear. In other words, you belong to the inner circle of your friends, and you ignore (at best) the individuals outside your life (Trompenaars, 1993). Presented in a simple manner, diffuse cultures treat relationships in a very simple way: we are friends or total strangers to each other. In other words, Diffuse people are relationship orientated, sometimes called "Being"; while their alter ego, the Specific cultures are more Task orientated, otherwise called "Doing".

Despite an observed proximity, it appears that Slovaks tend to display a more "being" orientation than the more "doing" orientated Czechs (TMC, 2015). In order to start cooperation, the Slovaks need a "warmer exchange of ideas" in order to feel that the partners have become friends. Thus, to establish harmony in their relationships, they tend to adapt their communication style to their partner. Their Czechs are ranked much more Specific by Trompenaars (2016), with a score of 80/20 while the Slovaks 58/42. Therefore, a visitor may expect direct criticism or even sarcastic humour in Prague, a behaviour likely to offend their Slovak counterparts.

This attitude exists also internally, between superiors and employees. Therefore, **Indirect communication** is the standard in Slovakia, while the Czechs may be more direct, to the point. To sum up, good relations are important in both countries at work, in negotiations, and generally in every day's life encounters. However, some extra "small talk" may be useful in Slovakia compared to the Czech Republic.

**Trust** as a cross-cultural dimension deals with the amount of trust existing naturally between individuals (Covey, 2008). In other words, are we engaged in a relationship with trust (e.g. father and son), or without trust (e.g. a client and a banker). When trust exists, time and money are saved (a handshake will do). When there is no trust, time and bureaucracy take over (for example, security checks in airports). Rankings (WVS, 2004) show that both surveyed cultures belong to the countries with little spontaneous trust. Indeed, one must have the right connections, or to have known someone for a long time to be ready to work with him. Religion

plays a decisive role here, with individuals from countries of Catholic traditions tending to trust less each other's than those living in countries of Protestant influence. Can worshipers be entrusted to interact directly with God, or should an intermediary (a priest, the Pope, etc.) be the guarantor of this trust?

While little regular practice is now conducted in Slovakia by a vast majority of the population, worshiping rankings (Gallup, 2009) place the country much higher than the notorious atheist Czech Republic. The Czech Republic scores 3rd most atheistic country in the world (Gallup, 2012) while a vast majority of the Slovak population recognizes itself as Catholic. This could lead to the conclusion the Czech are more trusting than the Slovaks but further evidence would be needed as the practice of religion is low in both countries.

**Collectivism/Individualism.** Who needs whom? Does the group needs the individual and therefore accepts its individuality, or the individual accepts to adapt to the group's requirement in order to keep harmony. In the Trompenaars' profiles of the two cultures, Slovakia scores only 56/44 at Individualism/Communitarianism, while the Czech Republic displays a much higher result with 90/10 (THT, 2016). Hofstede also ranks both countries as individualistic but with a smaller gap between them: 58 for the Czech Republic and 52 for Slovakia (Hofstede, 2016). Such results would indicate two cultures that tend to reward moderately individual initiative and achievement over consensus decision-making and a group work. However, the weight of history has to be taken into account here. Visitors to the countries capitals working in new industries are correct to expect an individualistic behaviour from their Czech and even Slovak hosts; however, the same visitors should expect more collectivistic attitudes in organizations with an old history, such as brown field factories or state bodies born in the Communist period. Another explanation from history can be found in Kolman et Al. (1999), who reviewed that inheritance traditions are used to justify the difference of industrial development. Because the Czechs used to have single heirs when the Slovaks shared inheritance between all children, the young Czechs used to go to the city to earn a living and this developed a stronger sense of individualism and also laid ground to modern industries. Today, the Czechs are not only more individualistic than the Slovak, they are also more relying on industry.

**Hierarchy** is also called Power Distance in cross-cultural management (Hofstede, 1980). This is a simple concept to understand: some cultures enjoy hierarchical relationships among their members (at work, in the street, or at home), while others, more egalitarian, value equality. In this study, the authors observed both societies to be conservative as far as the roles of men and women are concerned This hierarchical propensity explains also why displaying one's status is seen as a way to get one's way.

This is the biggest difference between the Czech and Slovak Republics according to the Hofstede study in power distance. But this is subject to disagreement. It is worth mentioning both the PDI and MAS indexes available on the site of Geert Hofstede are for Slovakia is 100 and only 57 for Czech Republic. In his edition of 2001, the ranking were 104 and 57. Were we to accept this data, the Czech should be moderately hierarchical (yet much higher than Germany, which is ranked at... 35, and even Japan which is moderately hierarchical with 54), the Slovaks should be aiming for the stars with stellar ranking, displaying the highest (together with Malaysia) PDI in the world! Anyone accustomed with both cultures knows such a massive gap is absolute non-sense.

However, regardless of Hofstede's score, it is clear that both countries are hierarchical. Top managers enjoy unquestioned power in organizations and the organizational culture of many companies is both hierarchical and relationship orientated, a combination called "Family" by Trompenaars (1993). This strong respect for hierarchy has the negative effect of having



subordinates to pass off any responsibility to the next level of management, hence concentrating decision-making and power.

Another cultural dimension linked to hierarchy is how groups accord **status**. According to Trompenaars (1993), Achieved status cultures give importance to past results, achievements or recent successes. Contrariwise, Ascribed cultures believe status depends on the intrinsic characteristics of the person, such as seniority, gender or social connections. In this analysis, a first ascertainment is that the use of titles in correspondence is very important in both countries. However, this would be misleading to conclude that Czech and Slovaks Republics be Ascribed today. Indeed, if ascription was the norm in communist Czechoslovakia, when the countries opened up, many national and foreign companies promoted young people to management positions based on their studies abroad, language skills and their competitiveness. The older generation was viewed as less “experienced” managers because of their communist background. A new ambitious generation (sometimes dubbed “young sharks”) has reached high positions in the hierarchical organizations and acquired strong status recognition.

According to Hofstede’s **Masculinity index** (Hofstede, 1980), the so-called “Feminine” societies have a preference for resolving conflicts by compromise and negotiation, while in masculine countries there is a feeling that conflicts should be resolved in an assertive way. We are here again confronted with a statistical problem as country rankings present Czech Republic as a feminine country (MAS index is 57) compared to Slovakia who appears as extremely Masculine, with a score of 100! (Hofstede’s site, 2016). Reasonably, those two countries cannot display such strong difference. However, other tools (TMC, 2015) rank the degree of **cooperation vs. competition** in both countries quite different? While the Czechs appear slightly cooperative, the Slovaks are more assertive and competitive. So, while MAS index is to be disregarded, a difference exists between the two cultures as far as assertiveness is concerned, the Slovaks displaying a more competitive attitude than the Czechs (TMA, 2015).

When analyzing displays of **emotions**, statistically, both cultures belong to the middle group of countries in terms of assertiveness. It means individuals are not particularly aggressive in their relationships. We are in the presence of two cultures that do not favour **emotional** arguments over reason. Facts and figures will be more effective in convincing a counterpart than emotions. Shouting, weeping and the like are neither seen professional in the Czech Republic nor in the Slovak Republic.

Practice, however, sheds light on some slight variations. For instance, the difference regarding displays of emotions between the Czechs and the Slovaks is more visible among team members or in the relationships between a superior and an employee. The Slovaks match their good working relationships with emotional openness more than the Czechs. It means that good working relationships are based on sharing positive or negative emotions being outside the scene of an official meeting or negotiations.

For the even more neutral Czechs, the decision making process can be quite slow, where unhurried, methodical approach to analyse a project will be preferred over a sense of priority or the use of emotions.

External vs. Internal **locus of control** concerns how much individuals believe they control their own lives. While both countries feel quite externally controlled (like most countries in the world), which means they believe external forces have a significant influence on their lives (Rotter,

1966), the religious aspect presented above would suggest the Slovaks to be even more externally controlled than the Czechs.

However, the impact of religion is probably greatly overshadowed by the influence of history, namely being governed by the Communist regime for many years. During this period characterised by a strong centralization of all aspects of life, individuals took the habit of having an external force (the Communist party) deciding for them. To many of them, this was nonsense to fight for a different way. All aspects of economic and social life were controlled and planned by leading Communist party members and people could rarely decide themselves elements closely connected with their lives. This regime ended only 25 years ago and obviously its influence is still deeply rooted in people's mind today.

Another aspect of this seemingly difference between the two cultures has to do with the ratio of the Slovaks and Czechs populating the late „Czechoslovakia“. The ratio has always been 2 to 1: The number of the Czech inhabitants was about 10 million while the Slovaks oscillated around 5 million. Having the seat of all governmental bodies in Prague (the capital of the Czech Republic) and being in majority, the Czech were naturally dominant in the country. On the other hand, the Slovaks had little chance to raise up their voice and consequently only agreed without any trial to change it.

Many cultures require logical process and all details before reaching a conclusion. Representatives from those “**Deductive**” cultures are often at odds with colleagues from “**Inductive**” cultures who need just enough information to justify a decision (Foster, 2000). In other words, should we first present a project from its conceptual, theoretical perspective, or by showcasing the desired results in the form of examples, models or a plan of implementation? Both cultures belong to moderately Deductive cultures (DFA, 2014), meaning that theory, processes and details are essentials to convince a counterparts. This coincides with a Neutral attitude towards emotions.

## 4.2 Time-related cultural dimensions

Time is a major element of cross-cultural management. Among the topics of interest within this category, the **Past/Present/Future** orientation of both countries is most instructive for this cultural review (Kluckhohn, 1961). Even if a gap exists among generations (older ones tend to be nostalgic of the past... everywhere!), both countries are usually considered “Present” oriented which means past events are of lesser importance than current aspects: Brand reputation, for instance, is likely to be more quality based than history-based.

That being said, Slovakia may actually be more “Present” orientated than the Czech Republic. Indeed Slovaks tend to have discontinued many traditions established during “Czechoslovakia” and even do not celebrate historical events, which the Czechs do. One of the examples is 28<sup>th</sup> October (when Czechoslovakia was established) which is not a public holiday in Slovakia, unlike in the Czech Republic.

The slight differences between the two countries may result from their recent historical and political development. After their “velvet divorce”, the Slovak Republic started to build its identity, values, symbols and institutions practically *ex nihilo*. While the Czech Republic preserved the flag and the anthem of former Czechoslovakia, the Slovak Republic came up with new national symbols. Also, the Czech Republic kept state organizations in the existing governmental buildings of the former Czechoslovakia while the Slovak Republic had to build a new parliamentary building. Thus, we could say that today's Slovakia derives its identity and values from recent economic and political achievements while the Czechs are more easily anchored in the past.

Another element of Time is whether cultures are **short or long term orientated**. This statistic reflects the degree to which a community encourages and rewards future-oriented behaviours, such as planning and delaying gratification.

For instance, one could argue that buying versus renting residence could show some longer term orientation. Figures show a residential debt to disposable income of household ratio to be 24,9% for the Czech Republic and 31,2% for Slovakia (EMF, 2012). Such finding could confirm Hofstede's Long Term Orientation index of 77 for Slovakia and 71 for Czech Republic as far as the gap between the cultures is concerned. However, observations show two short-term orientated cultures, despite Hofstede scoring both countries as Long term orientated: The mortgage ratio mentioned is the lowest in Europe after Slovenia.

Time is also analysed as **Monochronic versus Polychronic** cultures (Hall, 1973). While Monochronic cultures view time in a linear manner with clear segmentation of task, polychronics tend to have a holistic understanding of time, where effectiveness is favoured over efficiency. This also influences one's punctuality, monochronic people being keen on being on time as a show of respect to their counterpart's agenda. In this case, we may label cultures **Fixed or Fluid** towards their time orientation. For this analysis, both culture highly value punctuality and visitors counting on a Slavic influence are often surprised by the strictness the Czechs and Slovaks enforce timetables.

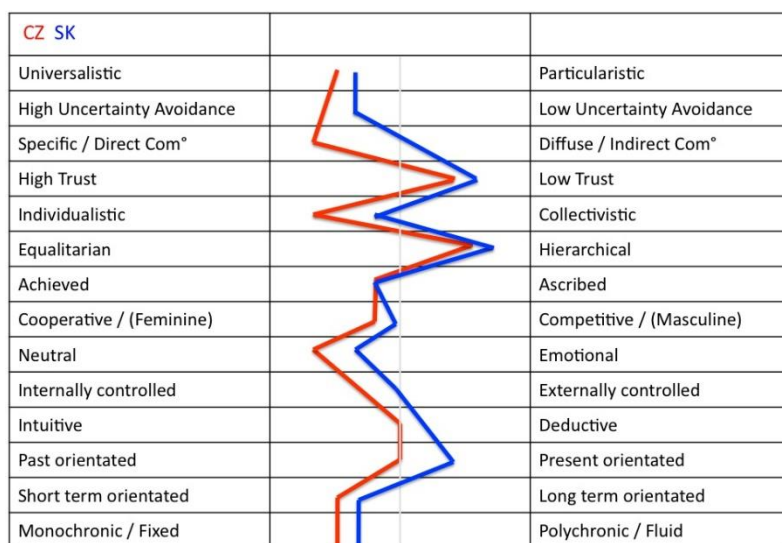
Based on the authors' experience, both countries see the other one as less fixed than self. The Slovaks consider the Czechs to be more relaxed... and vice versa! For instance, Slovaks match the Czech perception of time with the Czech word "Pohoda" which is difficult to translate. Some dictionaries use the words "peace" or "contentment". However, the Czech understanding implies not being in a hurry, not being disturbed by others and enjoying relaxed approach to life. Yet, the Czechs still consider themselves to be more punctual than their Slovak neighbors.

## 5 RESULTS

The Figure 1 below shows a summary of the 14 cultural dimensions analysed in this research. This graphical representation clearly shows two cultures that share many characteristics. However several dimensions mark clear differences between those two countries:

- The specific/Diffuse dimension
- Individualism/ Collectivism
- Neutral and Emotional display of emotions
- Past/present orientation

None of those cultural gaps are extreme, confirming the assumption those two countries share a definite cultural proximity.



**Figure 1:** Summary of cultural dimensions surveyed

## 6 LIMITS AND RECOMMENDATIONS

The rare available statistics for both countries let the in situ observations take much influence in this analysis. The authors were confronted with the lack of analysis available in the GLOBE project (which covers 62 countries) but also from the World Value Survey. The model of Hofstede is available but unreliable. Not only the scores of both countries have been estimated by the researcher, hence lacking any statistical backing, but its result is very questionable for Slovakia. It is worth mentioning both the PDI and MAS indexes available on the site of Geert Hofstede are for Slovak Republic is 100 and only 57 for Czech Republic. If the two countries display some differences, such statistical gap is unrealistic. Besides the similarity of results adds to the bewildering.

The authors relied on other sources such as the IAP of Trompenaars Hampden-Turner, which is probably the most reliable data accessible. The authors also used the TMC and TMA cross-cultural rankings but it is not possible to verify the academic solidity of those models even if the proposed answers are mostly in line with the authors' observations and analysis. Therefore, further research based on quantitative analysis of behaviours of representatives of each cultures is suggested to reach a higher degree of differentiation.

## 7 CONCLUSIONS

This cross-cultural study reveals that the Czech and Slovak cultures have much more in common than they have differences. The long joint history of those countries is the first reason for it, followed by geographical and linguistics proximity. However, anyone involved in a cross-cultural project between those two countries would be well advised to withhold a series of cultural gaps. Indeed, many cross-cultural negative experiences involved cultures often believed as "quite similar". The similarities being galore, one's tend to forget the remaining differences, till they are shockingly exposed to the individual.

A detailed analysis of 14 cultural dimensions, this research revealed key differences related to the dimensions of Particularism, Specific and Emotions display. The Czechs and the Slovaks themselves have identified those areas before by themselves. However, this study provides a useful academic confirmation to what could be seen as clichés. The Czechs view the Slovaks as more relationships oriented and point out their more evident display of emotions during professional or private events. Vice-versa, the Slovaks expect their Czech colleagues to be more rule-driven, task orientated and more neutral with their emotions. While those differences are not considered an obstacle for doing business or working together, they need to be carefully taken into account when cooperating with Czech and Slovak cultures.

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# ***Measuring Consumer Acculturation - Discussion on a Prospective Approach***

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## **ABSTRACT**

This paper discusses how globalization brings in cultural change among consumers and why this phenomenon can be studied under the aegis of consumer acculturation. The discussion is initiated with the explanation of what globalization is and what factors entailing it bring in specific changes in consumer culture. This is followed by a brief introduction to culture and how its components form the base for consumer acculturation. How consumer acculturation manifested itself from the body of literature dealing with acculturation is also established. Subsequently, two comprehensive approaches to measure consumer acculturation - Acculturation to Global Consumer Culture (AGCC) approach and Acculturation of Consumer Culture (ACC) approach - are introduced. In comparison, contrast and critique of these approaches are presented. The final section of the paper discusses various propositions which could be incorporated to make the measurement of consumer acculturation more comprehensive and robust than what it is in its current form. It is proposed that both AGCC and ACC approaches should be simultaneously used to measure consumer acculturation. Also, the survey based process which both these approaches follow should be further supplemented with observational and in-depth interview mechanisms of data collection. Hence, an amalgamation of both quantitative and qualitative approaches of data collection is expected to be the ideal manner of comprehensively measuring consumer acculturation.

## **1 INTRODUCTION**

The increasing impact of globalization on consumer attitude and behavior has generated a lot of interest among the researchers world over. It has been ascertained that globalization enables diverse cultural groups to come into contact with one another leading to perceptual, attitudinal, or behavioral changes across almost all cultures around the world (Lee, 1993). Quoting many prominent researchers, Cleveland et al. (2009), claim that capitalism, global transport, communications, marketing and advertising, and transnational cosmopolitanism are interacting to dissolve the boundaries across national cultures. According to them, these forces of globalization are leading to the emergence of a homogeneous global consumption culture, wherein consumers from various countries would be more global than local in their consumption orientation.

The above scenario is indicating towards the emergence of consumer acculturation, wherein consumers across the world are getting acculturated to follow a uniform consumer culture. If this is the case, then a pertinent question is how to measure the extent of consumer acculturation. What would be the pertinent factors which should be measured to ascertain the existence of consumer acculturation across various countries in the world? How should the identified factors of consumer acculturation be measured? How should a scale to measure consumer acculturation be designed so that it can be used among culturally different consumers without losing its reliability and validity? All these questions arise when an attempt is made to measure consumer acculturation. Extant literature also agrees that although many attempts have been made to create an all-encompassing construct for measuring consumer

acculturation, like a scale developed by Cleveland and Laroche (2007), called Acculturation to Global Consumer Culture (AGCC), there are still multiple shortcomings in the existing scales which need to be highlighted and addressed.

This paper is an attempt to address the concerns raised above. Since, globalization is the antecedent which has led to consumer acculturation, the paper starts with a detailed discussion on the various aspects of globalization and how they impact the prevalence of consumer acculturation. This is followed by discussion and critical assessment of two prominent extant measurements of consumer acculturation. It highlights the drawbacks present in them and attempts to address these drawbacks. Through this approach, the paper attempts to outlay a discussion on a proposed approach which could enable development of a comprehensive scale for measurement of consumer acculturation.

## **2 UNDERSTANDING GLOBALIZATION AND CONSUMER ACCULTURATION**

### **2.1 Globalization**

The phenomenon of Globalization, as per the extant literature, is defined as bringing the people of the world closer to each other. Researchers like Appadurai (1990) see globalization as spread of five types of global flows, namely – mediascapes, which is flow of image and communication; ethnoscapescapes, considered as flows of tourists, migrants and foreign students; ideoscapes, defined as flows of political ideas and ideologies; technoscapes, which is flow of technology and know-how and finally finanscapes, which comprises of flows of capital and money. In his seminal article on globalization, Levitt (1984) argues that globalization is making consumers' world over 'homogenized', or similar in their needs and requirements. Hence, globalization seems to be changing the cultural fabric and patterns of a society as products, icons, lifestyles and rituals of one culture are being adopted by another (Craig and Douglas, 2006).

#### *2.1.1 Cultural Change Being Brought by Globalization*

Over the last two decades, globalization has fostered a seismic shift in marketing activities across the world, especially in developing countries (Lysonski et al., 2012). Many researchers (like Craig et al., 2009 and Yaprak, 2008) have brought forth the consequent changes which globalization has brought on the extant local consumer culture. According to Venkatesh (1995), in the contemporary world, local cultures are changing quite rapidly because of the rising tide of consumerism brought by external (global) influences. Ger and Belk, (1996) assert that due to globalization, consumers in the developing countries are emulating the lifestyles and consumption patterns of consumers who live in economically developed countries. Hence, globalization seems to be leading to convergent customer needs and interests (Schuh, 2007) and to the emergence of a global consumer culture (Nijssen and Douglas, 2011).

Witkowski (2005), quoting Barber (1995) and other researchers, states that ideas, values, products (foreign brands) and lifestyles which forces of globalization bring from rich countries, influence the developing country's culture. Many other researchers like Douglas and Craig (1997) and Craig and Douglas (2006), also support this argument by observing that cultural influences from across borders, in the form of products (foreign brands), services, media, lifestyles and behavior patterns of the consumers in other countries are creating multicultural populations in domestic markets and exposing consumers to alternative behaviors and wants, leading to changes in the traditional patterns of consumer culture and behavior.

Similar arguments have been put forward by Baughn and Buchanan (2001). They state that negotiations surrounding important trade treaties include debates over cultural exceptions and



exemptions, reflecting the recognition of the power of trade to shape the local culture. It is feared that the imported cultural goods will displace the local culture (ibid). This observation is supported by Klien (1999), who pointed out that brand names (read foreign brand names), in the form of embedded logos on clothing and other consumer goods, or conveyed through carefully targeted advertising campaigns, manipulate personal tastes. Hence the extant literature overwhelmingly supports the assertion that globalization brings cultural changes among the consumers in the local markets.

## **2.2 Consumer Acculturation**

Since consumer acculturation's base is culture, we have to first ascertain as to how is culture defined. An interesting observation pertaining to culture has been made by Adler (1983), she observes that in traditional anthropological studies as well as in comparative management research, the term culture has been defined in many ways and no single definition of culture is accepted by management researchers. However, Hofstede's (1997) definition of culture has come to be one of the most cited definitions in literature. According to him culture is – "the collective programming of the mind which distinguishes the members of one group or category of people from another" (Hofstede, 1997, p.5). Though leading researchers differ on the definition of culture, they all agree on the components of culture, which includes religion, family, communication, rites of passage, language, dress, dietary habits, leisure activities, society, attitude, behavior, basic beliefs and basic values (Baligh, 1994; Bhugra et al., 1999; Conway Dato-on, 2000; Khairullah and Khairullah, 1999; Khairullah et al., 1996; Pettys and Balgopal, 1998).

To understand the phenomenon of changing consumer culture, its proponents have extensively borrowed from the extant body of literature dealing with acculturation. According to Trimble (2003), the measures of acculturation could be used to measure cultural change because acculturation is synonymous with sociocultural change.

Faber et al. (1987) defined acculturation as the adoption of the dominant culture's beliefs, attitudes, values, and behavior. Earlier for acculturation to occur, the contact aspect was limited to continuous first hand contact among individuals from different cultures (Redfield et al., 1936). Subsequent researchers (e.g. Andreasen, 1990; Craig et al., 2009; Gentry et al., 1995 and Steenkamp, 2001) broadened this definition and stated that even indirect exposure to foreign culture via media and commercial communication would transform the indigenous culture. Berry (1980), whose work on acculturation has been widely cited, also concurs with this view. He states that the contact between cultural groups can be either physical or symbolic and it can happen through "trade, invasion, enslavement, educational or missionary activity, or through telecommunications" (Berry, 1980, p. 11).

Many researchers have studied acculturation from consumer behavior view-point and have brought forth interesting insights. For e.g., Chattaraman et al. (2010) observes that acculturation might lead to decrease in ethnic consumption and increase in mainstream culture's consumption. Such consumer behavior oriented approaches to acculturation have led to the development of the constructs like Consumer Acculturation.

Consumer acculturation has been further divided into behavioral and attitudinal dimensions (Gentry et al., 1995; Gupta, 2013), with former dimension covering behavioral changes (e.g. changes in (language usage, dietary habits, dress, communication, leisure activities etc.) in the acculturating consumer and the latter dimension covering attitudinal changes (e.g. changes in basic beliefs, values, identity etc.). Many studies (Anderson, 2012; Gentry et al., 1995; Gupta, 2013; Kim et al., 1999) concur with the view that attitudinal acculturation would occur more

slowly than behavioral acculturation as individuals acquire behaviors of the dominant group more rapidly than acquiring the dominant group's values/attitudes.

### **3 MEASURING CONSUMER ACCULTURATION**

In this section we discuss two approaches which measure consumer acculturation. The focus is restricted to these two approaches only as they encompass two of the prominent means of measuring acculturation in the contemporary literature. The first approach to measure consumer acculturation was developed by Cleveland and Laroche (2007). Their construct termed as Acculturation to Global Consumer Culture (AGCC) provides a holistic view on how consumer acculturation occurs among consumer. The second approach to measure consumer acculturation has been adopted by Gupta (2012, 2013). This measurement is called Acculturation of Consumer Culture (ACC), which measures the progress that a consumer makes from local consumer culture to global consumer culture due to the impact of globalization (Gupta, 2012).

#### **3.1 Comparison of Consumer Acculturation Measurement Approaches**

Cleveland and Laroche's (2007) AGCC "considers how individuals acquire the knowledge, skills and behaviors that are characteristic of a nascent and deterritorialized global consumer culture" (Cleveland and Laroche, 2007, p. 252). They claim that an exhaustive review of the relevant social sciences literatures made them identify seven distinct drivers which lead to AGCC. These seven distinct drivers were:

- Cosmopolitanism (COS) - willingness to engage with other cultures and having necessary skills to do so.
- Exposure to marketing activities of MNC's (EXM)
- Exposure to/use of the English language (ELU)
- Social interactions, including travel, migration, and contacts with foreigners (SIN)
- Global/foreign mass media exposure (GMM)
- Openness to and desire to emulate global consumer culture (OPE)
- Self-identification with global consumer culture (IDT)

In contrast to Cleveland and Laroche's (2007) approach to study "how" consumer acculturation occur, Gupta's (2012, 2013) ACC approach to study consumer acculturation "deals with progress of consumer from local to global culture" (Gupta, 2013, p. 26) on various components of culture, which he claims have been identified after exhaustive literature review. He further divides ACC into behavioral and attitudinal dimensions. The cultural components used by him are:

- For behavioral dimension, cultural components used are:
  - Language preferred
  - Language actually spoken
  - Music preference
  - Movies/TV program preference
  - Food preference at home
  - Food preference outside
  - Attire preference
  - Reading language preference
  - Writing language preference

- Behavior with respect to celebration of festivals
- For attitudinal dimension, cultural components used are:
  - Self-identity
  - Personal Value

The following table (Table 1) compares and contrasts both these approaches on 21 parameters identified by the author:

**Table 1.** Comparison of AGCC vis-a-vis ACC

S. No.	Parameter	AGCC	ACC
1	What the Scale Measures?	How individuals acquire global consumer culture	To what extent has progress been made from local to global consumer culture
2	Data Collection Approach	Survey-based	Survey-based
3	Items in the Scale	64	13
4	Multiple Items Measure Same Aspect	Yes	No
5	Response Elicited on	7-point Likert scale	5-point Likert 'Type' scale
6	Scale Development Process	Literature review + empirical analysis	Literature review + empirical analysis
7	Communication Preference	Measured (But restricted to usage of English only)	Measured (In terms of native vs. foreign language)
8	Music Preference	Measured (But restricted to English only)	Measured (In terms of native vs. foreign music)
9	Movie Preference	Measured (But restricted to English only)	Measured (In terms of native vs. foreign movies)
10	TV Program Preference	Measured (But restricted to English only)	Not Measured
11	Reading Preference	Measured (But restricted to English only)	Measured (In terms of native vs. foreign language)
12	Writing Preference	Not Measured	Measured (In terms of native vs. foreign language)
13	Dressing Preference	Measured (But restricted to American way of dressing only)	Measured (In terms of native vs. foreign attire)
14	Preference for Foreign Travel	Measured	Not Measured
15	Exposure to Foreign Brands and Ads	Measured	Not Measured

16	Cosmopolitanism	Measured	Not Measured
17	Dietary Preference	Measured	Measured
18	Emulation of consumer lifestyles in developed countries	Measured	Not Measured
19	Ethnic Identity	Not Measured	Measured
20	Celebration of Native vs. Foreign Festivals	Not Measured	Measured
21	Belief in Native vs. Foreign Values	Not Measured	Measured

### 3.2 Proposed Holistic Approach to Measure Consumer Acculturation

It may be concluded from table 1 that both these approaches assess two different dimensions related to consumer acculturation, while the former attempts to assess how it occurs, the latter assesses to what extent is it prevalent. For a multidimensional and complex phenomenon like consumer acculturation, understanding of both these dimensions are equally important. Hence, to assess consumer acculturation comprehensively, it is proposed that both these approaches should be used simultaneously to assess this phenomenon. However, care has to be taken to prevent repetition of certain dimensions which are present in both the approaches, e.g. dietary preference (please refer to table 1 for details), to avoid presence of redundant aspects in this proposed cumulative approach.

Also, some pertinent shortcomings of each of the two approaches, e.g. length of AGCC scale due to presence of many repetitive and redundant items, and very limited number of components measured in the attitudinal dimension of ACC scale needs to be addressed. Researches can explore the usage of truncated version of AGCC scale as proposed by Durvasula and Lysonski (2015). However, care has to be taken as this truncated version has been criticized too. Few components like ethnocentric tendencies and assertion of ethnic identity can be included in the attitudinal dimension of ACC scale.

A major critiques for both these approaches is that they are both exclusively survey based approach and hence are prone to shortcomings which any survey based approach faces like incorrect responses, biased responses, lack of clear understanding of what is being asked etc. Though every scale developed to measure anything is prone to this critique, in case of consumer acculturation, it can be mitigated by adding observational and in-depth interview related dimensions to the aforementioned approaches.

Observational dimension would entail that besides eliciting responses from the consumers, their brand consumption and generic overall behavior is also observed and noted by the researcher. This has to be supplemented by a short in-depth interview round wherein the surveyor would ask few open-ended questions which are designed to capture the reason for the respondent's survey response as well as the observed behavior. Hence an amalgamation of quantitative and qualitative approach to comprehensively measure consumer acculturation is recommended.

A major limitation of this approach is that it would be a time consuming exercise for each respondent and it requires personal interaction between the researcher and the respondent. However, to generate a holistic understanding of such a complex phenomenon like consumer

acculturation, such approach is the only way out. Any mitigation to the proposed approach will produce lop-sided results.

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# ***Perception of Offensive Advertising: Cross-Cultural Peculiarities***

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## **ABSTRACT**

Nowadays advertising clutter in almost all media is forcing advertisers to use offensive and provocative appeals in ads. However, the various techniques used in such advertising, as well as effects of these ads, have not been adequately studied, especially when adapting advertising on the global market.

The perception of offensive advertising varies according to different parameters: gender, age, social class, religion, etc. In particular, an important role in the perception is played by national and cultural traditions and features. In the study there is the comparative analysis of the perception of offensive advertising young people of different nationalities: attitude towards ads, techniques and brands.

## **1 INTRODUCTION**

The global advertising market is estimated at nearly USD 550 billion in 2015 and continues to grow, despite the financial crisis, due to the emergence of new media and the development of new markets (Global Advertising Growth (2006-2019)).

Advertising noise in the developed markets is very high, for example, in Russia only through the TV people contact with more than 500 ads per week. Of course, this situation may reduce the effectiveness of each individual advertising message, and media planners are learning to deal with it: it is possible to increase quantity of ads and budgets; it is possible to search for new channels of communication, and search for points of growth efficiency in the content of the advertising message.

Some basic approaches can be distinguished when planning advertising campaigns on global markets:

- (1) Advertising messages are standardized (universal) for all markets (countries), it is the only element in the text adaptation (translated). An example is the manufacturers of cosmetics and cars. Obviously, this reduces the costs, but such advertising is not always clearly understood by consumers on a rational level.
- (2) The advertising idea is universal, but in some regional markets a different message is produced, which takes into account some features of the region. The most of it is about the people appearing in the message. As an example, it can be specifying the McDonald's, which adapts posts by filming people of a certain race. It is obvious that the advertising idea may be universal only when it is perceived equally by all cultures. For example, family values, good humor, joy and smiles, etc.
- (3) Advertising messages are unique, fully adapted to the particular market. In this case, of course, it is a question of increasing the budget for the production of advertising and more attention to the creative component. Sometimes advertisers use in their campaigns some provocation, a challenge to the society. In this case, probably, standardization is impossible, because such effects can be perceived in different ways in different cultures.

In the study, researchers tried to show that there is not only positive, socially acceptable, but also negative, insulting content of advertising messages that is equally perceived in different national cultures and attitudes towards it depend on the socio-demographic characteristics of consumers (gender, age, life stage). If the repulsive, provocative, abusive ads are desired then the same can be standardized for different national cultures.

The hypotheses that have been put forward:

- (1) Emotional perception of advertising depends on the socio-demographic characteristics.
- (2) It is possible to standardize the disgusting advertisement for different national cultures.
- (3) If the advertising causes more negative emotions (in the aggregate), the attitude towards the brand is getting worse.

The objective of the study is to reveal the emotional attitude towards different advertising contents in different national cultural, social and demographic groups.

The study examined two aspects of offensive advertisements of the three, according Phau and Prendergast (Phau and Prendergast, 2001):

- (1) emotional attitude to the style, the manner of supplying offensive advertisements (manner),
- (2) in what communications channels it is permissible to place such advertising (media).

In the study researchers did not investigate the question insulting advertising items (matter): objects, according to the consumer, are offensive for advertising (e.g., female hygiene products). In addition, there are advertising items (e.g., HIV / AIDS prevention) for which the offensive advertising fits more than any other (Darren, Frankerberger, Manchanda, 2003).

## **2 EMOTIONS AND OFFENSIVE ADVERTISING**

There are different terms for the advertising that causes negative emotions. The term «offensive» is selected based on the analysis of several publications, although there are other terms such as, "disgust" (Dens, Pelsmacker, Janssens, 2008), "shock advertising or shockvertising" (Darren, Frankerberger, Manchanda, 2003) for such advertising. The most used term is "offensive". In the questionnaire of the study, researchers used the term "offensive and provocative advertising".

A lot of attention has been paid to the study of cross cultural aspects of perception the offensive advertising (An, Kim, 2008), (Chan, Diehl, Terlutter, 2007), (Waller, Deshpande, Erdogan, 2013).

One of the hypotheses about the increasing volumes of offensive advertising is the belief that any advertising in the first place should be emotional.

The people, in addition to the visual memory have very stable emotional memory, which works on the principle of "pleasant - unpleasant, like - not like it." It was found that emotional memory is much stronger than other types of memory, affects the decision-making, that is, the buying behavior. It is manifested in the emotional form there are numerous individual differences of potential consumers. Any promotional video is not just information, it is a few emotionally charged minutes, personally experienced by man at the time of viewing.

An emotional advertising does not act according to the formula AIDA (Attention, Interest, Desire, Action). On the one hand, advertisers seek above all for using positive emotions to attract attention, it turns out an overabundance of "positive" advertising. On the other hand, the increasing volumes are not emotional, "unleavened", advertising, created on the principle of "do no harm". In these circumstances, the advertiser refers to "negative" emotions.



Increasing volumes of offensive advertising and Internet trading changes the AIDA formula to AISAS (Attention, Interest, Searches for information, Action, after which information is Shared with others) (Dentsu, 2004) or AIDAS (AIDA and S - Share) and even AISDA. According to the AIDAS authors of the article assume, that after buying goods and obtaining satisfaction, the buyer is to share information about it with their friends, relatives, colleagues, etc. According to the AISDA communication «Share» comes before the consumption of the goods. Advertising itself cause a desire to share it with their friends, relatives, colleagues, etc. The Internet Society to do this is quite simple. And, probably, offensive ads cause this desire to a greater extent than positive ads, because offensive ads "showier".

Of course, it is not a fact that the offensive advertising leads to Desire and Action. In the study, researchers ask respondents about their attitudes to the brand before and after seeing the offensive advertising. But, as it was said above, different people may have different perception of offensive advertising. In terms of total (virus) spread offensive advertising: who seen ad can find enough people for who this ad is not very provocative, perhaps, rather funny, and will encourage them to buy. Authors also assume that the positive advertisement is less the nature of the spread of viral and worse working formula AISDA. Thus offensive advertising by total distribution over the Internet and ambiguous effects on the different socio-demographic groups has a greater effect of the plan to purchase than positive ads.

The fact that to "wash away" the bad reputation is very difficult, and people remember the bad longer than the good, is opposed to the total use of offensive advertising.

Researchers have built the study of perception of advertising images in video and print ads in two classifications of emotions. Paul Ekman highlights 7 basic emotions: Happiness, Sadness, Fear, Surprise, Anger, Disgust, Contempt (O'Carroll E., 2014). Carroll Izard described 12 discrete emotions: Interest, Joy, Surprise, Sadness, Anger, Disgust, Contempt, Self-Hostility, Fear, Shame, Shyness, and Guilt (Izard, Libero, Putnam, Haynes, 1993). For the most part researchers focused on the scale of emotions by Carroll Izard.

It is not the fact that the offensive advertising will only cause negative emotions among representatives of different national cultures and socio-demographic groups, so for research purposes, researchers used 3 positive (Joy / Fun / Happiness, Interest, Surprise) and three negative emotions (Disgust, Anger, Shame) (Table 1). Similar statements were used for print advertising.

After watching the commercials on YouTube the respondent had to classify each of the statements (Table 1) on the scale from 1 (completely disagree) to 6 (completely agree). This scale does not allow the respondent to take a middle position, to avoid a clear expression of emotions (Malhotra, 2010). Perhaps it is better to explore the emotional impact on the reaction on people's faces (O'Carroll E., 2014), but the anonymous study has its advantages - the respondent is not trying to hide his emotions.

In addition, the offensive advertising is often a combination of positive and negative emotions (seems to be disgusting but funny). The final criterion whether decent or not decent advertising is to consider opinion of respondent as to whether it is possible to display ad and where.

**Table 1.** Emotion in the questions about video ads

Question	Emotion
I had fun and was happy to look at	Joy/Fun/Happiness
I was surprised	Surprise
It was interesting for me	Interest
It's disgusting. I feel natural revulsion	Disgust
I was ashamed. It's a public disgrace - to show this ad	Shame
I was really angry. I was furious	Anger

### 3 RESEARCH

#### 3.1 Questionnaire

Primary data collection was carried out with the help of typeform.com service (questionnaire is posted on <https://tixan.typeform.com/to/g14mTR>).

As socio-demographic factors were used: gender; age; Life Stage; country of residence; nationality; religion.

Next, respondents were asked to evaluate their attitude to a particular brand (Axe, Skittles, Mentos, Samsung, New Yorker, Dove, Sysley, Dolce & Gabbana, McDonald's). Then they can see the video ads (Axe, Skittles, Mentos, Samsung, New Yorker) and see posters (Dove, Sysley, Dolce & Gabbana, McDonald's) and to assess its consent on 6 statements expressing positive and negative emotions.

After this, respondents were asked about the attitude towards the brand again (after contact with advertising). Next they chose the brand offered from certain product categories with the intention to make a purchase: the choice of represented brand from advertising, its competitor and the option "Other".

Finally, respondents expressed their opinion on what the media could be used for demonstration of such advertising.

Table 2 shows the brand, the short name (content) of advertising and why (direction, subject), in our opinion, this ad is offensive (see ads on <https://tixan.typeform.com/to/g14mTR>).

**Table 2.** Brands, ads and offensiveness

Brand	Short name (content) of advertising	Offensiveness
Axe	Angels	Religion
Skittles	"Skittlespox"	Mockery of teenagers
Mentos	Freezing man	Torture
Samsung	Robohusband	Sexism
New Yorker	Old Lovelace	Mockery of old age
Dove	Washed black woman	Racism
Sysley	The brand is like a drug	Drug promotion
Dolce & Gabbana	Many men and women on the floor	Sexism
McDonald's	Bun - chest	Mockery of young children

### 3.2 Answers and opinions

The survey is currently ongoing, so in this article we present the preliminary results and some conclusions that are already available. After working with outliers and extremes the sample size is 193 respondents, so maximum error of research is 7% with 95% probability. In this case a certain number of respondents' categories were estimated separately on significant level:

- gender (male female);
- life stage (16-34 years, not married, no children, live with parents; 16-34 years, not married, no children, live separately from parents);
- region (Western Europe; Eastern Europe);
- religion (Christians; Atheists).

Cronbach's alpha was used as an estimate of the reliability of a test (scale). The value is equal to 0.81, so internal consistency can be classified as good.

Consider the results of the study on changes in attitudes towards the brand after viewing the advertisement. The H0 hypothesis is: it estimates the attitude towards a brand before and after viewing the ad does not differ. T-test for dependent variables (two-tailed) was used to verify the hypothesis (theoretical value of t (Student) with p-level 0.05 is 1.97).

The results for each ad are presented in table 3. H0 is accepted for two cases (Axe and New Yorker). In other cases, the difference between means is significant.

**Table 3.** The change of attitude

Estimate	Axe	Skittles	Mentos	Samsung	NewYorker	Dove	Sysley	D&G	McDonald's
Attitude before	3.14	3.99	4.00	4.35	3.00	4.19	3.03	3.78	3.30
Attitude after	3.17	3.38	3.27	3.89	2.88	3.88	2.06	3.37	2.65
t-value	0.53	7.76	7.42	5.59	1.20	3.72	9.51	4.92	7.40

The results for the answer about media for display ads are presented in table 4. The mode was chosen as an estimate in this case. It can be noted that the advertisement with the “Bun – chest” (McDonald's) should not be shown at all. Atheists are more tolerant from the point of view of public acceptability. Mockery of old age and drug promotion as appeals has differences in chosen media by respondents' categories.

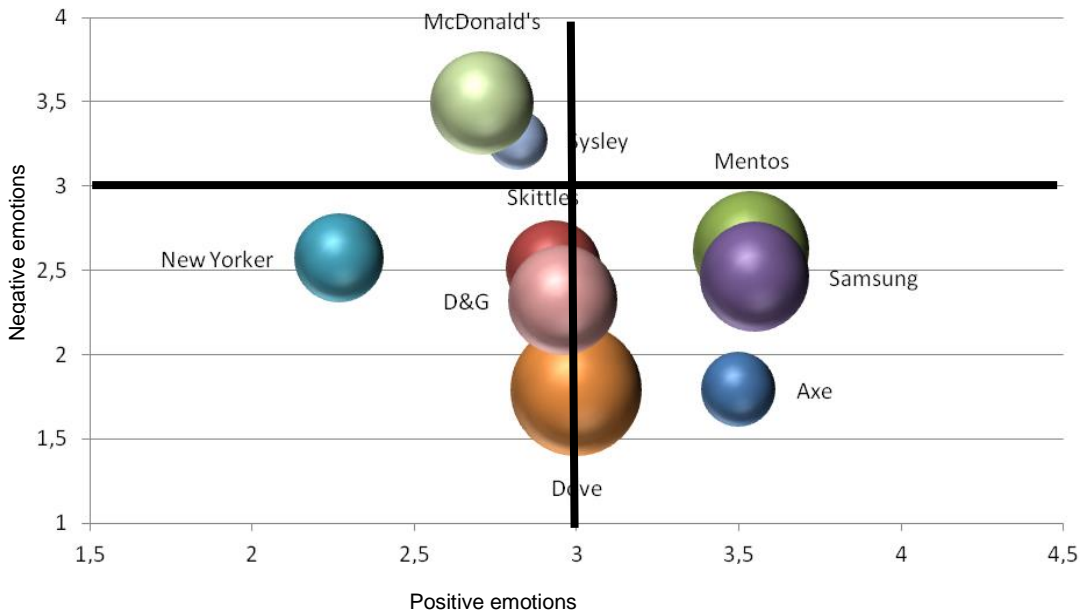
**Table 4.** Media for display ads

Ad appeal/ Category	All respondents	Male	Female	Life stage 1	Life stage 2	Western Europe	Eastern Europe	Christians	Atheists
Religion	Internet	Internet	Internet	Internet	Internet	Internet	Internet	Internet	Internet
Mockery of teenagers	Internet	Internet	Internet	Internet	Internet	Internet	Internet	Internet	TV
Torture	Internet	Internet	Internet	Internet	Internet	Internet	Internet	Internet	Internet
Sexism	Internet	Internet	Internet	Internet	Internet	Internet	Internet	Internet	Internet
Mockery of old age	Internet	Internet	Internet with limitations	Internet with limitations	Internet	Internet	Internet with limitations	Internet with limitations	Internet
Racism	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines
Drug promotion	Nowhere	Nowhere	Nowhere	Nowhere	Magazines	Nowhere	Nowhere	Nowhere	Magazines
Sexism	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines	Magazines
Mockery of young children	Nowhere	Nowhere	Nowhere	Nowhere	Nowhere	Nowhere	Nowhere	Nowhere	Nowhere

T-test for independent variables (two sided) with separate variance was used to verify the following hypothesis: there are no differences in the attitude towards the brand after viewing an ad between respondents' categories based on cross-cultural and socio-demographic characteristics (the significant level was fixed at 0.05). The cases where the hypothesis is rejected are highlighted in the table. The significant differences are mostly based on gender and religion characteristics but not recognized for the country.

**Table 5.** Difference between respondents' categories (p-level values)

Ad appeal/ Category	Male/Female	Lifestage1/ Lifestage2	Western Europe/ Eastern Europe	Christians/ Atheists
Religion	0.31	0.33	0,76	<b>0,01</b>
Mockery of teenagers	0.89	0.42	0.18	<b>0,06</b>
Torture	<b>0.04</b>	0.93	0,62	0,13
Sexism	0.75	0.77	0,60	0.73
Mockery of old age	0.12	0,67	0,52	0,72
Racism	<b>0.03</b>	0.81	0,61	0,67
Drug promotion	<b>0.03</b>	<b>0.02</b>	0,95	<b>0.00</b>
Sexism	<b>0.03</b>	0.68	0,55	<b>0,01</b>
Mockery of young children	0,69	0.53	0,98	0.91



**Figure 1.** The estimates of emotions and % of choosing brands

Figure 1 presents the average scores of positive and negative emotional scale and answers to the question about choosing a brand from ad when buying the product category (size of bubbles). It is noticeable that the upper right quadrant is empty, there are no brands, advertising which has caused both positive and negative emotions above mean, but the reverse situation is typical for the brand New Yorker. Despite the high negative ratings of the advertisement, the respondents are ready to buy food in McDonald's, but the positive assessment of the advertising Axe, does not help a large percentage of its purchase.

### 3.3 Conclusions

After making calculations and comparison of ratings by different categories of respondents, researchers can draw the following conclusions.

- (1) Attitude towards the brand became better or did not changed just in two cases: Axe and New Yorker. In the other cases, the attitude became more negative, especially for brands Sysley and McDonald's.
- (2) Despite the positive emotions caused by the ad, the attitude towards the brand may deteriorate.
- (3) Respondents tend to avoid extreme rates: there is only a little number of mean values less than 2 and more than 5.
- (4) The biggest negative emotions were caused by the following ads: Mentos (anger), Sysley (shame, disgust) and McDonald's (shame, anger). In the first two cases respondents allowed to show such ads (for brand Sysley just some categories of respondents), but the ad of the brand McDonald's may not be on display anywhere. It talks about the greatest opposition to the use in advertising of children, regardless of socio-demographic and cross-cultural differences.

- (5) The ratings of religious people and the atheists on positive emotions are often the same, but Christians rate negative emotions in a more uncompromising way. There are also differences between residents of Eastern and Western Europe: the first give more negative ratings of negative emotions; the second – higher in positive. The same differences were found between men and women. Significant differences between people of different life stages have not been identified. We can only say that people living separately from their parents permit a large number of media for offensive ads.
- (6) We can say that all hypotheses formulated in the beginning of the article, are confirmed. For example the ad of Mentos with torture was differently rated by men and women like a disgust ad. D&G ad was rated in the same way by respondents from other parts of Europe. Mockery of people can be standardized as advertising appeal on global market.

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# ***Two Perspectives on TTIP's Economic Impact on European companies: Combining a CGE Approach with Empirical Evidence from Austrian B2B Firms***

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## **ABSTRACT**

The Transatlantic Trade and Investment Partnership (TTIP) is a free trade agreement presently being negotiated between the European Union and the United States. It started in July 2013 and the 12th round of the TTIP was held in Brussels on 22-26 February 2016. The TTIP aims at removing trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between the EU and the U.S. This paper aims to conduct a quantitative assessment of the potential economic effects of the TTIP on the economies of its members and its non-members using a global multi-sector computable general equilibrium (CGE) model in combination with empirical evidence from Austrian B2B firms. The simulation results of the policy scenario of the TTIP are presented in terms of real GDP, total exports and imports, trade balance, bilateral trade, industry output of all 27 regions considered in this study, and employment by sector of only Austria and Germany. In addition, this paper provides a comparative analysis of what Austrian companies know about the TTIP, what benefits and risks they expect from it based on the regular barometer for which 76 Austrian companies have been interviewed.

## **1 INTRODUCTION**

The Transatlantic Trade and Investment Partnership (TTIP) is a free trade agreement (FTA) currently being negotiated between the European Union (EU) and the United States (U.S.). The European Council's decision on negotiating directives of 14 June 2013 allowed the European Commission to start negotiations on the TTIP with the U.S. The first round was held in Washington, D.C. on 7-12 July 2013 (European Commission, 2013a). The European Commission and the United States Trade Representative (USTR) have had 12 rounds of negotiations since then. The 12th negotiation round of the TTIP was held in Brussels on 22-26 February 2016 (European Commission, 2016). The EU and the U.S. are in the process of negotiations so that the TTIP can be an ambitious, comprehensive, and high-standard trade and investment agreement that offers significant benefits in terms of promoting its international competitiveness, jobs, and growth (USTR, 2013).

The TTIP consists of 24 chapters that can be classified into 3 parts, namely, market access, regulatory cooperation and rules. The part on market access includes 4 chapters, i.e. trade in goods and customs duties, services, public procurement, and rule of origin. The part on regulatory cooperation includes 12 chapters, i.e. regulatory coherence, technical barriers to trade (TBTs), food safety and animal and plant health, chemicals, cosmetics, engineering products, information and communication technologies, medical devices, pesticides, pharmaceuticals, textiles, and vehicles. The part on rules includes 8 chapters, i.e. sustainable development, energy and raw materials, customs and trade facilitation, small and medium-sized enterprises, investment protection and investor-state dispute settlement, state-state

dispute settlement, competition policy, and intellectual property rights and geographical indications (European Commission, 2015).

In other words, the TTIP aims to increase trade and investment between two parties by removing trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between them. On top of cutting tariffs across all sectors, the EU and the U.S. want to tackle barriers behind the customs border which includes differences in technical regulations, standards and approval procedures. The TTIP negotiations also deal with opening both markets for services, investment, and public procurement. Therefore, it is expected that it could also shape global rules on trade.

The TTIP would be the biggest bilateral trade deal ever negotiated. The EU and the U.S. economies account together for about half of the entire world's GDP and nearly a third of world trade flows (European Commission, 2014). As of 2013, the EU is the largest trading partner of the U.S. whose trade of €502.9 billion with the EU accounts for 16.9% of U.S. total trade of €2.97 trillion. The U.S. is the most important trading partner of the EU whose trade worth €484.4 billion with the U.S. accounts for 14.2% of EU's total trade of €3.42 trillion.

The EU and the U.S. are the largest host and source of each other's foreign direct investment. At the end of 2012, the U.S. was the biggest host of EU outward FDI stocks, with €1,655 billion or 32% of total stocks held by the EU27 in the rest of the world, and the most important source of EU inward FDI stocks, with €1,536 billion or 39% of total stocks held by the rest of the world in the EU27 (Eurostat, 2013).

The TTIP is estimated to create jobs and growth by delivering better access to the EU and U.S. markets, achieving greater regulatory compatibility between the EU and the U.S., and paving the way for setting global standards (Francois, Manchin, Norberg, Pindyuk and Tomberger, 2013). It is predicted to boost the EU's economy by €119 billion, the U.S. economy by €90 billion, and the rest of the economy by €100 billion. This means that the advantages of the TTIP will not just be limited to the EU and the U.S. It is because the increased trade between the EU and the U.S. as a result of the TTIP will raise demand for raw materials, components and inputs produced in other countries. In total, the global economy is forecasted to grow by an extra €100 billion as a result of the increase in transatlantic trade (Francois et al., 2013).

According to Francois et al. (2013), the EU as a whole will benefit from the TTIP. Does it mean that all member states of the EU will gain from the TTIP? To what extent will they be affected by it? Will, for example, Austria and Germany gain? If yes, to what extent? Will all non-members of the TTIP gain? Who will be winners and who will be losers? And to what extent?

This paper aims to answer these questions by assessing the potential economic effects of the TTIP on the member states of the EU and the U.S. as well as non-members of the TTIP using a global multi-sector Computable General Equilibrium (CGE) model.

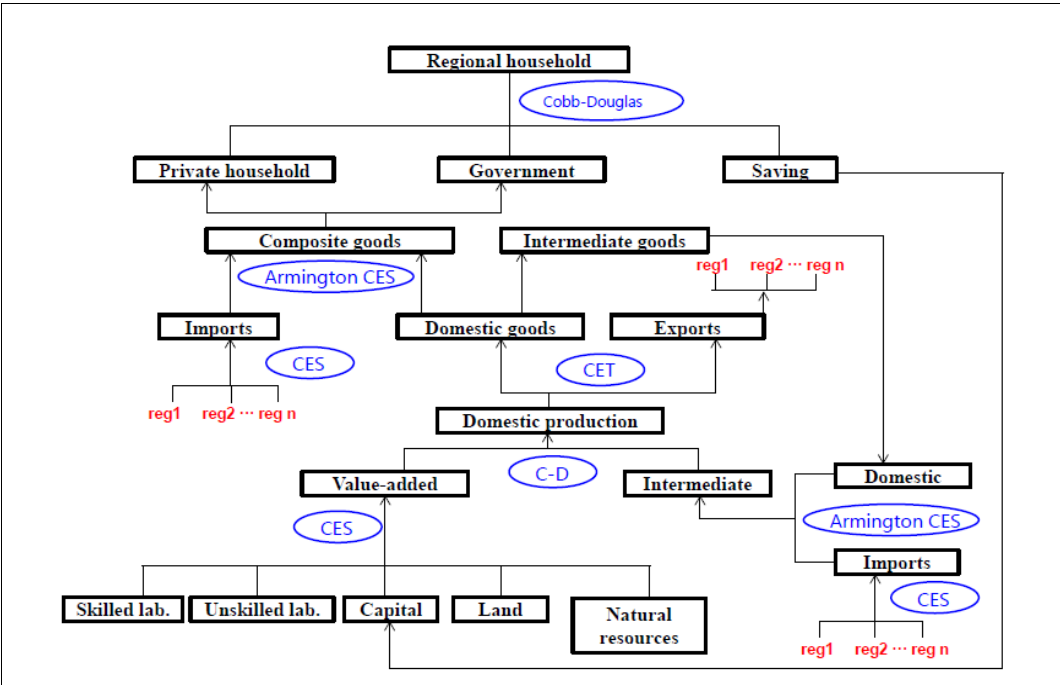
The remainder of this paper is organized as follows. Section II provides a short description of the CGE model and the data used in this study. Section III examines scenarios of the TTIP, and Section IV discusses the simulation results. Section V adds empirical evidence on how Austrian companies perceive positive and negative effects of TTIP. Finally, Section VI concludes with some remarks.

## **2 THE CGE MODEL AND DATA**

To quantify the potential economic impacts of the TTIP, a global multi-sector computable general equilibrium (CGE) model is used. A CGE model is based on a general equilibrium theory developed by Nobel laureates, Paul Samuelson, Kenneth Arrow and Gérard Debreu, which is rooted in *Tableau économique* of François Quesnay (1758) and *Eléments d'économie politique pure* of Leon Walras (1874). A CGE model can be defined as a system of non-linear

simultaneous equations describing the constrained optimization of behaviors of economic agents, such as producers, consumers, exporters, importers, savers, investors, and the government (Ko, 1993). A CGE model is a combination of theory, data and programming, based on a general equilibrium theory, not a partial equilibrium theory. General equilibrium theory deals with existence, stability and uniqueness of a solution to a simultaneous equation system.

The static aspects of the CGE model used in this study is neoclassical in spirit and is part of a long tradition of models that have been widely used to analyze the impact of global trade liberalization and structural adjustment programs. The earliest world CGE models were developed by Whally (1985) and Dearforff and Stern (1990) to analyze the impact of the Tokyo Round of GATT negotiations. The model used in this study applies Whally (1985) to endogenize all regions including the rest of the world and incorporates the macroeconomic specifications from Devarajan, Lewis and Robinson (1990), Ko (1993) and Hertel (1997). Figure 1 shows the structure of the CGE model used in this study<sup>1</sup>.



**Figure 1.** Structure of the CGE Model

The CGE model has solid micro-foundations that are theoretically transparent. Each regional economy includes economic actors, such as a representative household, producers and the government. It is assumed that a representative household receives factor income from firms, collects all kinds of taxes, demands goods and services, and saves in order to maximize its utility according to a Cobb-Douglas utility function.

Producers are assumed to maximize profits by purchasing intermediate inputs and primary factors of production such as skilled labor, unskilled labor, capital, land, and natural resources

<sup>1</sup> See Appendix for a mathematical description of the CGE model used in this study.

and supplying output to both domestic and world markets in response to market prices in commodity and factor markets via a Constant Elasticity of Transformation (CET) function. Production structures are represented by nested production functions consisting of Cobb-Douglas and Constant Elasticity of Substitution (CES) functions.

The government purchases domestic and imported goods and services, based on a Cobb-Douglas aggregation function.

Perfect competition, therefore, constant returns to scale, is assumed in production, while imperfect substitution in goods and services between home and abroad and imperfect substitution among different origins of economies are assumed by Armington-approach (Armington, 1969), which is one explanation of two-way trade in the same product category, but originating from different nations. Since traded and non-tradable goods are assumed to be distinct and imperfect substitutes by sector, changes in relative world market prices are only partially transmitted to domestic markets. Thus, the model incorporates a realistic degree of insulation of domestic commodity markets from world markets.

Within each region, the model solves for commodity and factor prices that equate demand and supply in all commodity and factor markets. The model also solves for world prices, equating demand for imports and supply of exports by sector across the world economy.

The model was calibrated on the GTAP version 9 data base<sup>2</sup> released in May 2015 (Narayanan, Aguiar and McDougall, 2015). The GTAP version 9 data base includes 140 regions, 57 sectors and 5 primary factors of production. For the purpose of this paper, 140 regions and 57 sectors are aggregated into 27 regions and 15 sectors, respectively, as shown in Tables 1 and 2. In particular, 28 member states of the EU are aggregated into 16 countries/regions. The 5 primary factors of production include skilled labor, unskilled labor, capital, land, and natural resources.

### 3 SCENARIO FOR TTIP

In order to simulate the impact of the TTIP, two different sets of scenarios were considered in this study, namely, baseline scenarios (without the TTIP) and policy scenarios (with the TTIP). The baseline scenarios provide a picture of what the economies concerned are expected to look like without the TTIP, while the policy scenarios are used to examine the effect of the TTIP. The difference between the baseline scenarios and the policy scenarios shows the impact of the TTIP.

Baseline scenarios include some FTAs that the EU and the U.S. have implemented<sup>3</sup>. Since the CGE model used for this paper is a static one, policy scenarios are conducted using updated data that were generated from running the baseline scenarios. In other words, the first baseline scenarios are analyzed and then policy scenarios are conducted using the updated data generated from the baseline scenarios.

For the policy scenario<sup>4</sup>, it was assumed that the EU and the U.S. cut their tariffs on all imports from each other by 100%.

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<sup>2</sup> Korea's dataset of GTAP version 9 data base was contributed by the first author of this paper.

<sup>3</sup> A description of baseline scenarios is skipped due to a limited number of pages for this paper.

<sup>4</sup> In this paper, only one policy scenario is assumed. However, the consideration of trade liberalization in services, reduction of restrictions on foreign direct investment (FDI) and public procurement remains as future study.

## 4 SIMULATION RESULTS

The simulation results of the policy scenario of the TTIP are presented in terms of real GDP, total exports and imports, trade balance, bilateral trade, industry output, and employment by sector.

Table 3 shows the impact of the TTIP on real GDP of all 27 regions considered in this study. Except for Hungary and Poland, all member states of the EU are predicted to gain in terms of real GDP.

For example, Austria and Germany gain an additional increase in real GDP of 0.011% and 0.017%, respectively from the TTIP, while the real GDP of Hungary and Poland falls by 0.005% and 0.003%, respectively.

As a partner of the TTIP, the U.S. gains an additional increase in real GDP of 0.007%. All non-members of the TTIP are predicted to lose in terms of real GDP except the former Soviet Union. The potential economic impacts of the TTIP on its non-members depend on the net effects of trade creation and diversion<sup>5</sup>. The TTIP will be a trade-creating block to both parties of the TTIP and the former Soviet Union, while it will be a trade-diverting block to all non-members except the former Soviet Union.

Table 4 shows the impact of the TTIP on total exports<sup>6</sup>, total imports<sup>7</sup> and trade balance. Some of the EU member states are predicted to run trade surplus but some member states are to run trade deficit as a result of the TTIP. For example, Austria is to run an additional trade surplus of US\$ 8, while Germany is to run an additional trade deficit of US\$ 424. Italy, UK and Ireland are to run trade deficits. The U.S. is also to run an additional trade deficit of US\$ 10.7 billion. However, these trade deficits will not negatively affect their economic performance. The EU member states<sup>8</sup>, with the exception of Hungary and Poland, and the U.S. will import more intermediate goods and services at lower prices which can be used to produce other goods and services, leading to a higher production and a higher GDP.

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<sup>5</sup> Trade creation occurs when some domestic production in a member nation of the TTIP is replaced by lower-cost imports from another member nation of the TTIP. Trade creation increases the welfare of member nations of the TTIP because it leads to greater specialization in production based on comparative advantage. A trade-creating TTIP also increases the welfare of its non-members because some of the increase in its real income from greater specialization in production spills over into increased imports from its non-members. Trade diversion occurs when lower-cost imports from non-members of the TTIP are replaced by higher-cost imports from a member nation of the TTIP. Trade diversion reduces welfare because it shifts production from more efficient producers outside the TTIP to less efficient producers inside the TTIP. Thus, trade diversion worsens the international allocation of resources and shifts production away from comparative advantage.

<sup>6</sup> Exports are evaluated at free on board (FOB) prices.

<sup>7</sup> Imports are evaluated at cost, insurance and freight (CIF) prices.

<sup>8</sup> The total exports of the EU as a whole are to increase by \$16,971 million and its total imports are to rise by \$17,267, with a trade deficit of \$296 million.

**Table 3.** Impact of TTIP on real GDP

Region	% change	US\$ million
<b>1 Austria</b>	<b>0.011</b>	<b>44.6</b>
2 Germany	0.017	614.8
3 Italy	0.011	241.8
4 France	0.008	220.3
5 UKIrl	0.021	576.0
<b>6 Hungary</b>	<b>-0.005</b>	<b>-6.3</b>
7 CzechRep	0.004	8.9
8 Slovakia	0.000	0.4
9 Slovenia	0.013	6.4
<b>10 Poland</b>	<b>-0.003</b>	<b>-17.2</b>
11 BeDnLuNI	0.013	221.6
12 FinSwe	0.005	39.6
13 EspPrt	0.015	248.8
14 CyGrMlCr	0.010	39.2
15 EstLvaLtu	0.010	9.8
16 BgrRou	0.005	12.4
<b>17 USA</b>	<b>0.007</b>	<b>1,085.0</b>
18 EFTA	-0.002	-25.0
19 FSovUnion	0.001	15.3
20 BRICS	-0.007	-839.0
21 JPN	-0.003	-183.5
22 KOR	-0.012	-143.9
23 RSouEasAsia	-0.002	-82.5
24 RNorthAmer	-0.003	-87.8
25 LatAmer	-0.005	-117.8
26 MiddleEast	-0.001	-36.8
27 Africa	-0.002	-39.3

Source: Authors' calculation

All non-members of the TTIP are expected to run additional trade surpluses. However, these trade surpluses are not beneficial to their economies, but detrimental. It is because their imports fall more than their exports rise. For example, the total exports of BRICS rise by \$1,492 million but their total imports fall by \$1,573 million, resulting in a trade surplus of \$3,065 million. Such a trade surplus is referred to as trade surplus in recession.

**Table 4.** Impact of TTIP on Trade (US\$ million)

Region	Exports	Imports	Trade balance
<b>1 Austria</b>	<b>242</b>	<b>234</b>	<b>8</b>
2 Germany	4,955	5,379	-424
3 Italy	1,929	2,238	-308
4 France	1,938	1,599	339
5 UKIrl	3,346	3,791	-445
6 Hungary	46	22	24
7 CzechRep	92	70	23
8 Slovakia	13	-8	20
9 Slovenia	29	34	-5
10 Poland	152	20	132
11 BeDnLuNI	1,996	2,075	-80
12 FinSwe	478	410	67
13 EspPrt	1,271	998	272
14 CyGrMICr	204	199	5
15 EstLvaLtu	127	99	28
16 BgrRou	153	105	48
<b>17 USA</b>	<b>18,484</b>	<b>29,200</b>	<b>-10,717</b>
18 EFTA	-192	-360	167
19 FSovUnion	168	-464	632
20 BRICS	1,492	-1,573	3,065
21 JPN	1,663	-1,021	2,684
22 KOR	-3	-365	362
23 RSouEasAsia	168	-1,248	1,416
24 RNorthAmer	-612	-1,630	1,018
25 LatAmer	1	-678	679
26 MiddleEast	-70	-642	572
27 Africa	-65	-484	418

Source: Authors' calculation

Tables 5, 6 and 7<sup>9</sup> show the impact of the TTIP on bilateral trade of 27 regions. They are exports evaluated at free on board (FOB) prices. The regions in the first column export goods and services to the regions in the first row. The last column of Table 7 shows the total exports of the regions in the first column. For example, Austria exports less goods and services to all EU member states except Italy. Austria's exports to Germany and France decline by \$357.5

<sup>9</sup> The last column of total exports of Table 7 corresponds to the second column of exports of Table 4. However, the row sum of Tables 5, 6 and 7 does not correspond to the third column of imports of Table 4. It is because the imports of Table 4 are evaluated at CIF prices but all cells of Tables 5, 6 and 7 are evaluated at FOB prices.

million and \$26.7 million, respectively but Austria's exports to Italy rise by \$14.3 million. Austria's exports to the U.S. increase by \$713.5 million. Austria's exports to all non-members of the TTIP except EFTA rise slightly. Finally Austria's total exports increase by \$242.1 million as a result of trade liberalization of the TTIP.

The impact of the TTIP on bilateral trade is characterized by the following facts. First, the parties of the TTIP export more goods and services to each other. In other words, all EU member states export more goods and services to the U.S. and the U.S. exports more goods and services to all EU member states. Second, intra-EU member states trade falls with a few exceptions, for instance, Austria's exports to Italy that rise by \$14.3 million. Third, trade diversion occurs between all EU member states and non-members of the TTIP. In other words, all EU member states shift some of their imports from the non-members of the TTIP to the U.S. Fourth, trade diversion between the U.S. and non-members of the TTIP occurs in part. In other words, the U.S. imports more goods and services from some of the non-members of the TTIP such as EFTA, the former Soviet Union, Japan, Korea, Latin America, Middle East and Africa, while it imports less goods and services from BRICS, the rest of South and East Asia, and the rest of North America. Fifth, there is no general trend in the bilateral trade between the EU member states and the non-members of the TTIP as well as between the non-members of the TTIP themselves.

Tables 8, 9 and 10 show the impact of the TTIP on industry output of 27 regions. The output of primary sectors such as grains and crops, meat and livestock, and fishing of all EU member states falls, while that of the U.S. rises. This is a reflection of the differences in comparative advantage of the EU member states and the U.S.

There is also an interesting contrast in the changes of output by sector between Austria and the U.S. For example, Austria's output of automobiles and parts (Autos) and other transport equipment (OthTrnsEq) falls, while the U.S. output of them rises. Austria's output of electronics, machinery and other manufactured goods increases, while the U.S. output of them declines. Austria's output of processed food (ProcFood) and petroleum products, chemicals and minerals (PCheMineral) decreases, while the U.S. output of them increases. The output of services rises slightly due to the assumption of free movement of primary factors of production.



**Table 5.** Impact of TTIP on Bilateral Trade (US\$ million)

Region	1 Austria	2 Germany	3 Italy	4 France	5 UKIrl	6 Hungary	7 Czech Rep	8 Slovakia	9 Slovenia
<b>1 Austria</b>	<b>0.0</b>	<b>-357.5</b>	<b>14.3</b>	<b>-26.7</b>	<b>-24.1</b>	<b>-11.7</b>	<b>-15.9</b>	<b>-5.1</b>	<b>-6.3</b>
2 Germany	-223.7	0.0	-4.3	-614.6	-475.6	-71.0	-141.3	-38.7	-18.9
3 Italy	-126.2	-931.1	0.0	-582.4	-378.3	-43.3	-60.4	-29.6	-49.4
4 France	-15.0	-596.2	55.0	0.0	-206.2	-6.7	-16.0	-6.1	-5.2
5 UKIrl	-19.1	-596.9	-25.3	-318.2	-364.5	-12.2	-18.7	-3.8	-3.2
6 Hungary	-11.2	-193.9	10.7	-11.0	-8.4	0.0	-10.4	-7.7	-3.1
7 CzechRep	-7.7	-232.7	13.8	-13.8	-16.2	-4.3	0.0	-11.7	-1.2
8 Slovakia	-5.3	-109.4	5.9	-6.2	-4.5	-2.8	-20.5	0.0	-0.3
9 Slovenia	-4.7	-39.8	6.4	-5.1	-3.0	-2.2	-1.5	-0.3	0.0
10 Poland	-1.3	-263.1	11.2	-19.0	-35.6	-0.5	-11.3	-0.3	-1.7
11 BeDnLuNI	2.6	-918.2	155.0	-132.0	-100.2	4.6	0.1	0.9	-1.5
12 FinSwe	-5.1	-98.7	15.1	-41.7	-65.6	-3.1	-4.5	-1.1	-0.6
13 EspPrt	-13.8	-320.4	46.5	-156.5	-33.1	-3.4	-10.6	-1.7	-3.0
14 CyGrMICr	-5.4	-31.6	13.6	-12.8	0.8	-1.4	-1.8	-0.7	-5.4
15 EstLvaLtu	0.0	-13.9	3.9	-10.5	-2.7	-0.1	-0.3	0.0	0.0
16 BgrRou	-9.1	-137.1	-5.2	-40.2	-20.7	-17.5	-7.6	-5.2	-2.8
<b>17 USA</b>	<b>686.2</b>	<b>11,196.9</b>	<b>2,089.3</b>	<b>4,090.9</b>	<b>6,402.0</b>	<b>181.6</b>	<b>390.3</b>	<b>119.1</b>	<b>148.1</b>
18 EFTA	-12.8	-226.5	22.4	-91.1	44.9	-1.6	-4.7	-0.8	-2.0
19 FSovUnion	5.5	27.0	72.0	-59.4	-2.2	-6.8	-5.0	-5.4	-2.1
20 BRICS	-0.2	-319.6	153.5	-118.9	-199.3	-1.4	-1.2	-1.0	-3.9
21 JPN	-3.5	-90.6	14.7	-33.9	-67.1	-1.8	-1.6	0.6	-0.4
22 KOR	-2.5	-80.1	0.3	-50.6	-29.8	-2.9	-11.7	-14.1	-1.9
23 RSouEasAsia	-1.7	-200.9	65.8	-89.6	-172.3	-3.9	-8.3	-3.5	-1.5
24 RNorthAmer	-3.6	-143.1	-9.4	-40.8	-231.1	-1.2	-1.7	-0.6	-0.2
25 LatAmer	-0.3	-129.9	7.1	-43.9	14.6	0.0	-1.3	-0.1	-0.4
26 MiddleEast	-4.0	-138.5	13.2	-63.5	-96.5	-1.6	-6.3	-1.4	-4.7
27 Africa	-2.1	-99.3	-11.0	-113.0	-19.5	-0.8	-3.5	-0.7	-0.8
Total	215.7	4,954.9	2,734.7	1,395.7	3,905.9	-15.9	24.5	-18.9	27.7

Source: Authors' calculation

**Table 6 (cont'd).** Impact of TTIP on Bilateral Trade (US\$ million)

Region	10 Poland	11 BeDnLuNI	12 FinSwe	13 EspPrt	14 CyGrMICr	15 EstLvaLtu	16 BgrRou	17 USA	18 EFTA
1 Austria	<b>-11.9</b>	<b>-32.5</b>	<b>-7.1</b>	<b>-12.9</b>	<b>-3.4</b>	<b>-1.9</b>	<b>-0.2</b>	<b>713.5</b>	<b>-0.4</b>
2 Germany	-174.9	-975.3	-126.8	-234.6	-26.9	-41.2	-5.5	<b>7,740.8</b>	-20.9
3 Italy	-126.9	-371.8	-85.7	-337.3	-137.2	-22	-62.1	<b>6,526.1</b>	-211.6
4 France	-21.7	-478.3	-21.9	-269.8	-9.7	-9.9	5	<b>3,003.2</b>	26.4
5 UKIrl	-40.1	-648.5	-79.2	-209.5	-27.4	-9.7	-5.2	<b>6,021.5</b>	-53.1
6 Hungary	-7.8	-13.8	-0.8	-6.6	-2.4	-2	4.1	<b>261</b>	2.1
7 CzechRep	-13.3	-23.6	-4.1	-4.6	0.0	-2.6	2.6	<b>358.7</b>	5.4
8 Slovakia	-6.9	-8.4	-2.0	-1.9	0.1	-0.6	1.5	<b>149.6</b>	1.3
9 Slovenia	-1.8	-3.9	-0.8	-1.2	-1.6	-0.1	0.3	<b>80.6</b>	0.2
10 Poland	0.0	-47.5	-2.7	-27.4	0.2	-23.1	5.8	<b>462.7</b>	10
11 BeDnLuNI	-3.9	-368.1	-2.2	-135.0	3.7	-15.6	13.6	<b>2738</b>	87.6
12 FinSwe	-15.7	-177.2	-47.9	-14.2	-2.3	-24.1	-0.3	<b>895.6</b>	-1.8
13 EspPrt	-14.3	-113.7	-8.9	-269.0	-4.1	-3.6	2.6	<b>1,941.5</b>	9.2
14 CyGrMICr	-7.2	-12.7	-2.7	-5.8	-9.3	-1.4	-1.8	<b>283.9</b>	-2.3
15 EstLvaLtu	-3.7	-7.4	-2.1	-1.4	0.4	-31.5	0.4	<b>161.7</b>	3.7
16 BgrRou	-10.7	-30.6	-4.7	-23.8	-19.2	-1.1	-15.4	<b>555.5</b>	-4.6
<b>17 USA</b>	<b>575.4</b>	<b>5,689.8</b>	<b>858.0</b>	<b>2,720.8</b>	<b>608.2</b>	<b>317.7</b>	<b>189.4</b>	<b>0</b>	<b>-447.9</b>
18 EFTA	-14.1	-82.9	-25.5	-21.9	-2.8	-2.8	-0.1	<b>20.5</b>	1.7
19 FSovUnion	-32.5	-25.5	8.2	-20.3	-78.6	-6.7	-1.1	<b>63.6</b>	7.1
20 BRICS	-21.4	-258.7	-21.8	-69.2	-28.4	-5	5.7	<b>-41</b>	22.7
21 JPN	-6.2	-50.7	-1.3	-6.5	-4.3	-1.6	1.4	<b>329.4</b>	13.7
22 KOR	-10.4	-32.3	-7.5	-9.9	-18.2	-1.5	0.1	<b>84.2</b>	0.3
23 RSouEasAsia	-15.5	-182.8	-17.9	-36.1	-0.1	-3.7	0.4	<b>-128.1</b>	12.5
24 RNorthAmer	-3.0	-52.1	-6.1	-25.2	-0.5	-1.9	-1.6	<b>-60.7</b>	-6.5
25 LatAmer	-14.2	-86.5	-4.3	-92.7	-2.1	-1.6	-1.8	<b>220.5</b>	14
26 MiddleEast	-12.3	-76.1	-7.4	-26.1	-44.2	-1.7	0.2	<b>812.8</b>	3.8
27 Africa	-7.8	-88.9	-5.7	-72.9	-13.0	-4.4	-1.2	<b>676.4</b>	4.2
Total	-22.8	1,439.7	369.0	785.1	177.0	96.5	136.8	<b>33,871.6</b>	-523.2

Source: Authors' calculation

**Table 7 (cont'd).** Impact of TTIP on Bilateral Trade (US\$ million)

<b>DTOT</b>	19 FSovUnion	20 BRICS	21 JPN	22 KOR	23 RSEAsia	24 RNorthAmer	25 LatAmer	26 MiddleEast	27 Africa	Total
1 Austria	<b>0.2</b>	<b>1.7</b>	<b>0.8</b>	<b>2.5</b>	<b>2.6</b>	<b>12.6</b>	<b>2.5</b>	<b>6.4</b>	<b>2.4</b>	<b>242.1</b>
2 Germany	9.9	48.2	8.6	13.2	29.2	146.3	39.4	80.4	33.6	4,955.3
3 Italy	-169.8	-201.9	-62.8	-30.1	-147.7	-10.5	-59.7	-219.7	-139.2	1,929.4
4 France	25.5	73.1	20.8	21.4	92.4	73.1	36.8	76.7	91.6	1,938.3
5 UKIrl	-40	-76	-24.7	-11.3	-64.4	42.3	-12.5	-25.3	-28.7	3,346.3
6 Hungary	8.2	5.7	2.3	1.6	5.6	5.2	1.9	12.7	3.9	45.7
7 CzechRep	11.8	6.2	1.9	1.2	4.3	5.7	2.7	9.4	4.3	92.3
8 Slovakia	5.2	7.7	0.4	0.4	1.4	2.6	1	3.5	0.9	12.6
9 Slovenia	2.8	0.3	0.1	0.1	0.4	1.1	0.3	1.7	0.6	29.1
10 Poland	34.1	7.5	2.5	2.4	7.4	12.8	4.1	16.9	7.1	151.5
11 BeDnLuNI	68.2	75.4	50	26.7	106.2	77.7	51.7	111.9	98.2	1,995.5
12 FinSwe	-1.1	5.1	-0.1	2.7	11	26.3	10.9	9.8	6.2	477.8
13 EspPrt	14.9	22.9	7.2	6.4	19	48	30.7	33.9	43.9	1,270.8
14 CyGrMICr	-2.3	-2	1	0.7	0.6	4.5	0.7	3.2	1.9	204.3
15 EstLvaLtu	14.9	1.7	0.9	0.3	1.8	2.9	0.9	4.6	2.5	127.2
16 BgrRou	-16.7	-4.1	-0.8	-0.8	-2.7	2.2	-1	-17.4	-5.5	153
<b>17 USA</b>	<b>-543.6</b>	<b>-3,123.2</b>	<b>-1,662.1</b>	<b>-916.4</b>	<b>-3,070.9</b>	<b>-4,013.2</b>	<b>-1,642.3</b>	<b>-1,491.8</b>	<b>-868.8</b>	<b>18,483.5</b>
18 EFTA	7.7	28	11.2	12.1	40	44.4	16.7	34.1	13.8	-192.4
19 FSovUnion	1.9	54.6	15.6	16.3	19.1	27.3	14.9	58.7	21.6	168.1
20 BRICS	68.5	250	175.5	186.1	533.2	434	330.8	261	162.3	1,492.3
21 JPN	19.5	454.2	0	172.5	576.3	175.6	55.7	83.8	34.8	1,662.9
22 KOR	-12	15.5	-7.5	0	50.5	87.7	17.9	23.1	9.7	-3.3
23 RSouEasAsia	1.2	202.8	79.5	95.1	277	179.1	36.9	51.3	32.3	167.9
24 RNorthAmer	-6.7	-73.4	-12	-5.4	-8.2	89.4	-1.2	-3.2	-1.9	-611.9
25 LatAmer	-20.5	-53.5	-24.3	-10.9	-10.1	131.5	100	-1.9	13.7	0.9
26 MiddleEast	-6.4	-208.2	-105.9	-76.2	-126.2	38.4	23	28	18	-69.6
27 Africa	-6.8	-264.6	-14.5	-1.9	-26	37.1	-3.2	-18	-3.2	-65.4
Total	-531.3	-2,746.3	-1,536.4	-491	-1,678	-2316.2	-940.3	-866.3	-444	38,004.2

Source: Authors' calculation

**Table 8.** Impact of TTIP on Industry Output (% change)

Sector	1 Austria	2 Germany	3 Italy	4 France	5 UKIrl	6 Hungary	7 CzechRep	8 Slovakia	9 Slovenia
1 GrainsCrops	<b>-0.22</b>	-0.15	-0.23	-0.11	-0.35	-0.07	-0.07	-0.13	-0.02
2 MeatLstk	<b>-1.50</b>	-1.02	-0.41	-0.59	-0.58	-0.56	-0.51	-0.15	-0.37
3 Fishing	<b>-0.05</b>	-0.14	0.00	-0.05	-0.12	-0.04	-0.06	-0.05	-0.06
4 Extraction	<b>0.02</b>	0.00	-0.11	0.08	0.02	0.05	0.05	0.06	0.07
5 ProcFood	<b>-0.14</b>	-0.10	0.19	0.01	-0.17	-0.13	-0.09	-0.14	-0.08
6 TexWapp	<b>0.64</b>	0.27	1.84	0.73	0.38	1.50	0.48	0.57	1.18
7 WoodPaper	<b>0.06</b>	-0.02	-0.03	0.09	-0.05	0.10	0.11	0.12	0.13
8 PCheMineral	<b>-0.02</b>	0.03	-0.02	0.04	0.70	-0.07	0.02	-0.09	0.06
9 Metals	<b>0.23</b>	0.18	-0.29	0.10	0.14	0.07	0.14	0.03	0.08
10 Autos	<b>-0.17</b>	0.38	-0.51	-0.29	0.07	-0.88	-0.68	-0.26	-0.61
11 OthTrnsEq	<b>-0.05</b>	-0.37	-0.17	-0.06	-0.27	-0.13	-0.05	-0.49	-0.32
12 Electronics	<b>0.11</b>	-0.03	-0.30	0.11	-0.06	0.21	0.09	0.07	0.05
13 Machinery	<b>0.26</b>	0.29	-0.22	0.20	0.27	0.29	0.23	0.10	0.11
14 OthMnf	<b>0.21</b>	0.09	1.34	1.18	0.05	0.46	0.19	0.70	0.09
15 Services	<b>0.01</b>	0.00	0.01	0.00	0.00	0.01	0.00	-0.01	0.04

Source: Authors' calculation

**Table 9 (cont'd).** Impact of TTIP on Industry Output (% change)

Sector	10 Poland	11 BeDnLuNI	12 FinSwe	13 EspPrt	14 CyGrMICr	15 EstLvaLtu	16 BgrRou	17 USA	18 EFTA
1 GrainsCrops	-0.11	0.06	-0.17	-0.12	-0.03	-0.05	0.20	<b>0.14</b>	0.04
2 MeatLstk	-0.53	-1.60	-0.30	-1.52	-0.17	-1.29	-0.13	<b>1.46</b>	-0.17
3 Fishing	-0.10	-0.11	-0.11	-0.05	0.00	-0.10	-0.02	<b>0.41</b>	-0.10
4 Extraction	0.05	0.07	0.05	0.07	0.04	0.09	-0.03	<b>-0.08</b>	0.05
5 ProcFood	-0.09	-0.16	-0.08	0.07	0.11	-0.07	0.01	<b>0.51</b>	-0.12
6 TexWapp	0.47	0.67	0.08	0.92	0.55	1.06	1.97	<b>0.02</b>	-0.08
7 WoodPaper	0.16	0.11	0.05	0.10	0.04	0.18	0.01	<b>-0.05</b>	0.04
8 PCheMineral	-0.05	0.21	0.02	0.08	-0.11	0.16	-0.07	<b>0.46</b>	-0.30
9 Metals	0.29	0.14	0.22	0.05	0.13	0.14	-0.14	<b>0.11</b>	-0.04
10 Autos	-0.55	-0.13	-0.18	-0.42	-0.23	-0.67	-0.66	<b>0.83</b>	-0.44
11 OthTrnsEq	-0.06	-0.29	-0.24	-0.20	-0.44	-0.23	-0.35	<b>0.39</b>	-0.15
12 Electronics	0.16	0.25	0.01	0.05	-0.05	0.20	-0.23	<b>-0.39</b>	0.08
13 Machinery	0.17	0.37	0.18	0.12	0.11	0.21	-0.13	<b>-0.16</b>	-0.03
14 OthMnf	0.14	0.08	0.05	0.58	0.22	0.65	0.67	<b>-0.42</b>	-0.14
15 Services	-0.01	0.02	0.00	0.01	0.03	0.02	0.00	<b>0.02</b>	0.01

Source: Authors' calculation

**Table 10 (cont'd).** Impact of TTIP on Industry Output (% change)

Sector	19 FSovUnion	20 BRICS	21 JPN	22 KOR	23 RSEAsia	24 RNAmer	25 LatAmer	26 MiddleEast	27 Africa
1 GrainsCrops	-0.01	0.00	0.05	0.05	0.01	0.10	0.02	0.00	-0.01
2 MeatLstk	-0.02	-0.04	0.03	-0.02	-0.06	0.07	-0.11	-0.04	-0.03
3 Fishing	-0.01	-0.01	-0.01	-0.03	-0.01	0.04	-0.01	-0.02	-0.01
4 Extraction	0.03	0.04	0.10	0.04	0.03	0.08	0.06	0.02	0.04
5 ProcFood	-0.02	-0.02	-0.02	-0.11	-0.05	-0.11	-0.06	-0.02	-0.05
6 TexWapp	-0.01	-0.11	-0.02	-0.14	-0.34	-0.39	-0.24	-0.11	-0.09
7 WoodPaper	0.03	0.07	0.02	0.03	0.06	0.22	0.05	0.01	0.00
8 PCheMineral	-0.15	-0.03	-0.02	-0.07	-0.06	-0.23	-0.08	-0.09	-0.11
9 Metals	0.01	0.02	0.07	0.00	0.01	-0.11	0.08	0.00	-0.01
10 Autos	-0.08	-0.06	-0.02	-0.11	-0.08	-0.14	-0.08	-0.20	-0.15
11 OthTrnsEq	-0.04	0.02	0.14	-0.09	0.01	0.11	-0.10	0.03	-0.08
12 Electronics	-0.03	0.20	0.12	0.10	0.12	0.34	0.22	0.02	-0.03
13 Machinery	0.00	0.02	0.12	0.03	0.02	-0.07	0.17	0.02	-0.04
14 OthMnf	0.00	-0.12	-0.03	-0.04	-0.13	-0.18	-0.04	-0.29	-0.06
15 Services	-0.01	-0.02	-0.02	-0.02	0.00	-0.02	-0.02	-0.01	0.00

Source: Authors' calculation

Table 11 shows the impact of the TTIP on the employment of Austria and Germany<sup>10</sup>. The changes in employment of Austria are characterized by the following facts. First, with the exception of services, the changes in employment by sector go together with the changes in industry output. The employment of both unskilled and skilled labor declines in grains and crops, meat and livestock, fishing, processed food, PCheMineral (petroleum products, chemicals and minerals), automobiles and parts, and other transport equipment whose domestic production falls, while textiles and wearing apparel, wood products and publishing, metal and metal products, electronics, machinery, and other manufactured goods whose domestic production rises employ more unskilled and skilled labor. Second, whereas the output of services rises slightly due to the assumption of free movement of primary factors of production, skilled labor is substituted in part by unskilled labor. Therefore, the employment of unskilled labor rises, while that of skilled labor falls. Third, unskilled labor rises more than skilled labor in the sectors where their domestic production increases. Fourth, skilled labor falls more than unskilled labor in the sectors whose domestic production decreases.

In the case of Germany, first, the employment of labor goes in the same direction with industry output, except for petroleum products, chemicals and minerals (PCheMineral) and services whose employment of both unskilled and unskilled labor falls despite their increased domestic production. Second, both unskilled and skilled labor in petroleum products, chemicals and minerals (PCheMineral) and services of Germany is substituted by capital as a result of trade liberalization of the TTIP. Third, the magnitude of percentage changes in unskilled labor and skilled labor is quite similar in all sectors of Germany.

**Table 11.** Impact of TTIP on Employment of Austria and Germany (% change)

Sector	Austria		Germany	
	Unskilled labor	Skilled labor	Unskilled labor	Skilled labor
1 GrainsCrops	<b>-0.21</b>	<b>-0.22</b>	-0.14	-0.14
2 MeatLstk	<b>-1.58</b>	<b>-1.59</b>	-1.22	-1.21
3 Fishing	<b>-0.04</b>	<b>-0.04</b>	-0.09	-0.09
4 Extraction	<b>0.01</b>	<b>0.00</b>	-0.01	-0.01
5 ProcFood	<b>-0.18</b>	<b>-0.20</b>	-0.19	-0.19
6 TexWapp	<b>0.61</b>	<b>0.59</b>	0.20	0.21
7 WoodPaper	<b>0.06</b>	<b>0.04</b>	-0.05	-0.05
8 PCheMineral	<b>-0.04</b>	<b>-0.06</b>	-0.03	-0.02
9 Metals	<b>0.22</b>	<b>0.20</b>	0.14	0.14
10 Autos	<b>-0.28</b>	<b>-0.30</b>	0.23	0.23
11 OthTrnsEq	<b>-0.08</b>	<b>-0.10</b>	-0.45	-0.44
12 Electronics	<b>0.09</b>	<b>0.07</b>	-0.07	-0.06
13 Machinery	<b>0.25</b>	<b>0.23</b>	0.23	0.24
14 OthMnf	<b>0.20</b>	<b>0.18</b>	0.05	0.05
15 Services	<b>0.01</b>	<b>-0.02</b>	-0.03	-0.03

Source: Authors' calculation

<sup>10</sup> The more detailed information about the impact of the TTIP on the employment of all 27 regions is available upon request to the first author.

## 5 EMPIRICAL EVIDENCE ON THE PERCEPTION OF TTIP WITH AUSTRIAN COMPANIES

In addition to the multi-sector computable general equilibrium model discussed before, the authors were interested in providing close-to-market evidence for the expected impact and consequences for Austrian companies from their perspective.

To gain this perspective, a survey has been conducted among 200 Austrian companies aiming a representative sample of Austrian's industry representatives. A set of five questions was composed and included into a broader measurement instrument, the "Steyr Barometer study" which is regularly used to grasp recent developments and trends as perceived by Austrian Businesses. A total of 76 responses to those questions about TTIP collected.

The overall question, whether TTIP is more beneficial or more disadvantageous for the respective business sector, was considered "neutral" by the majority of respondents.

**Table 12.** Expectations towards TTIP

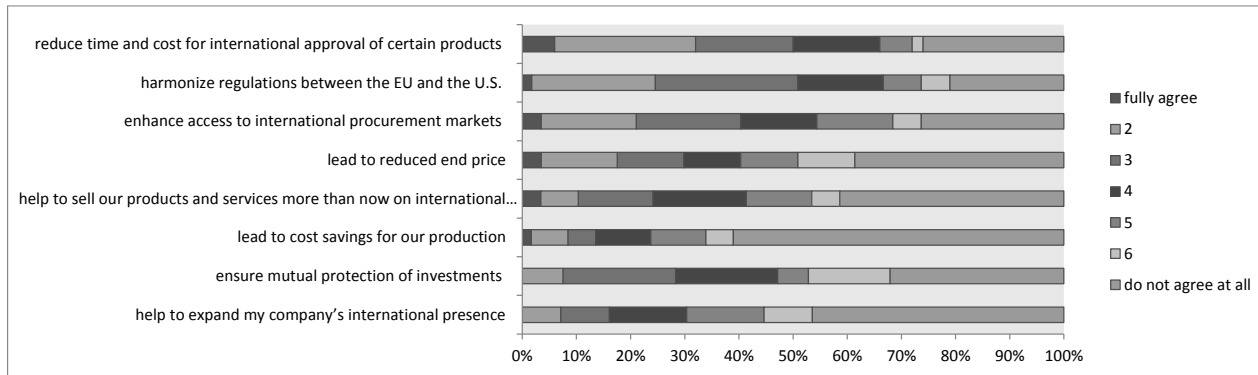
At this stage, do you expect TTIP to be more beneficial or more disadvantageous to your business sector?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very beneficial		0%	0%	0,0
	Mostly beneficial	9	12%	15%	14,8
	Neutral	45	59%	74%	88,5
	Mostly disadvantageous	5	7%	8%	96,7
	Very disadvantageous	2	3%	3%	100,0
Total		61	80%	100%	
Missing		15	20%		
Total		76	100%		

Source: Steyr Barometer, 2016

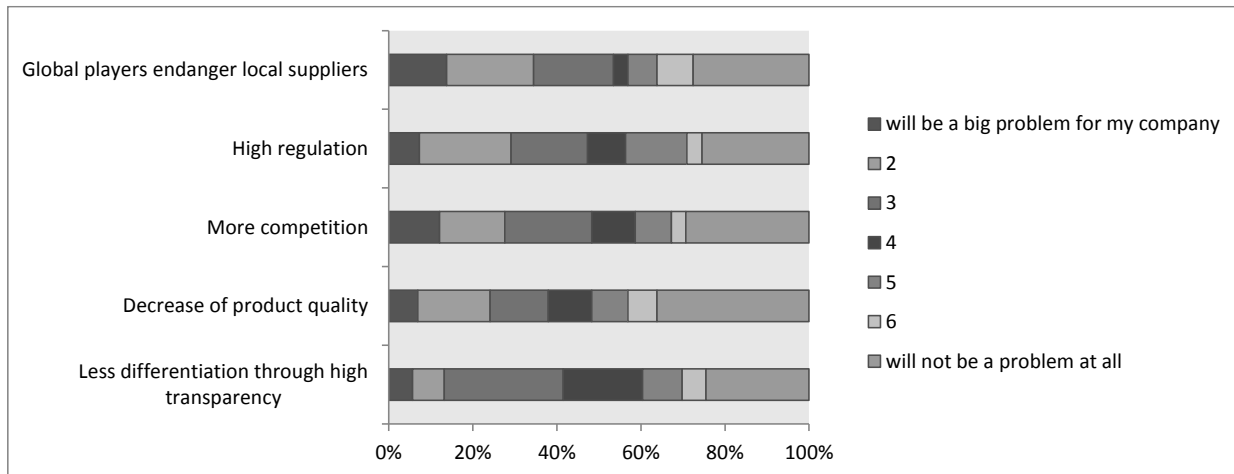
More specifically, the next question referred to the agreement or disagreement towards several aspects of TTIP which were published as to be advantageous by several proponents of the agreement. The findings show that there are very low levels of agreement when it comes to the expected increasing outreach and international presence of the companies. Aspects like harmonization of regulations, access to international procurement markets or better protection of investments were seen more positively.

Addressing the main possible threats and endangerments of TTIP, the respondents did not show a specific fear or reluctance versus some arguments that might be countered the implementation of TTIP. Ranked top-down (starting from the biggest potential thread) the aspect of "global players endangering local suppliers" was mentioned, followed by the fear of "high regulation" and "more competition. "Decrease of product quality" and "Less differentiation" was not that much perceived as to be threatening.



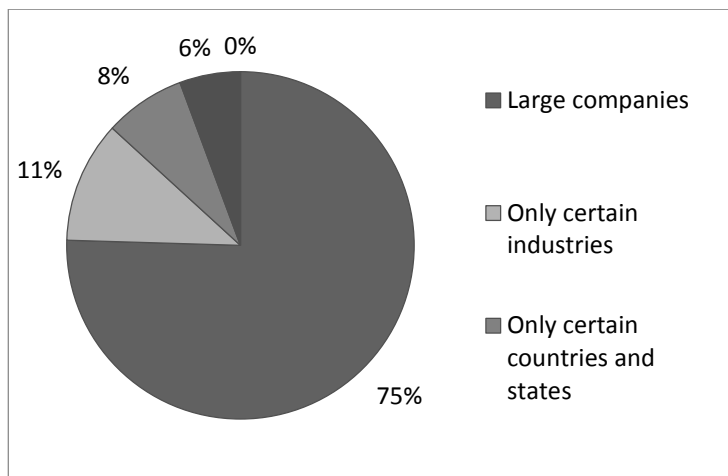


**Figure 1. TTIP will ...**  
Source: Steyr Barometer, 2016



**Figure 2. Problems caused by TTIP**  
Source: Steyr Barometer, 2016

Finally, discussing for “whom” the TTIP agreement will be mostly beneficial with respect to company size and industries, the respondents were very clear in their answer. They reported (75%) that mainly large industries will benefit from this agreement, and small and medium sized companies will not gain profit at all (0%).



**Figure 3.** TTIP is beneficial for ...  
Source: Steyr Barometer, 2016

## 6 CONCLUSION

This paper aims to quantify the potential effects of the transatlantic trade and investment partnership being negotiated between the EU and the U.S. on the economies of its members and non-members using a global multi-sector computable general equilibrium model.

For the policy scenario, it is assumed that the EU and the U.S. cut their tariffs on all imports from each other by 100%. The simulation results of the policy scenario of the TTIP are presented in terms of real GDP, total exports and imports, trade balance, bilateral trade, industry output of all 27 regions considered in this study, and employment by sector of only Austria and Germany due to the limited number of pages of this paper.

All member states of the EU and the U.S. are predicted to gain in terms of real GDP from the trade liberalization of the TTIP except Hungary and Poland, while all non-members of the TTIP are to lose except the former Soviet Union. The TTIP will be a trade-creating block to both parties of the TTIP and the former Soviet Union, while it will be a trade-diverting block to all non-members except the former Soviet Union.

Some of the EU member states are predicted to run trade surplus but some member states are to run trade deficit as a result of the TTIP. Austria is to run an additional trade surplus of US\$ 8, while Germany is to run an additional trade deficit of US\$ 424. Italy, UK and Ireland are to run trade deficits. The U.S. is also to run an additional trade deficit of US\$ 10.7 billion. However, these trade deficits will not negatively affect their economic performance. The EU member states, with the exception of Hungary and Poland, and the U.S. will import more intermediate goods and services at lower prices which can be used to produce other goods and services, resulting in a higher production and a higher GDP.

All non-members of the TTIP are expected to run additional trade surpluses. However, these trade surpluses are not beneficial to their economies, but detrimental. It is because their imports

fall more than their exports rise. Such a trade surplus is referred to as trade surplus in recession.

The impact of the TTIP on bilateral trade of 27 regions is characterized by the following facts. First, the parties of the TTIP export more goods and services to each other. In other words, all EU member states export more goods and services to the U.S. and the U.S. exports more goods and services to all EU member states. Second, intra-EU member states trade falls with a few exceptions, for instance, Austria's exports to Italy that rise by \$14.3 million. Third, trade diversion occurs between all EU member states and non-members of the TTIP. In other words, all EU member states shift some of their imports from the non-members of the TTIP to the U.S. Fourth, trade diversion between the U.S. and non-members of the TTIP occurs in part. In other words, the U.S. imports more goods and services from some of the non-members of the TTIP such as EFTA, the former Soviet Union, Japan, Korea, Latin America, Middle East and Africa, while it imports less goods and services from BRICS, the rest of South and East Asia, and the rest of North America. Fifth, there is no general trend in the bilateral trade between the EU member states and the non-members of the TTIP as well as between the non-members of the TTIP themselves.

The output of primary sectors such as grains and crops, meat and livestock, and fishing of all EU member states falls, while that of the U.S. rises. This is a reflection of the differences in comparative advantage of the EU member states and the U.S.

There is also an interesting contrast in the changes of output by sector between Austria and the U.S. Austria's output of automobiles and parts (Autos) and other transport equipment (OthTrnsEq) falls, while the U.S. output of them rises. Austria's output of electronics, machinery and other manufactured goods increases, while the U.S. output of them declines. Austria's output of processed food (ProcFood) and petroleum products, chemicals and minerals (PCheMineral) decreases, while the U.S. output of them increases. The output of services rises slightly due to the assumption of free movement of primary factors of production.

The changes in employment of Austria are characterized by the following facts. First, with the exception of services, the changes in employment by sector go together with the changes in industry output. The employment of both unskilled and skilled labor declines in grains and crops, meat and livestock, fishing, processed food, PCheMineral (petroleum products, chemicals and minerals), automobiles and parts, and other transport equipment whose domestic production falls, while textiles and wearing apparel, wood products and publishing, metal and metal products, electronics, machinery, and other manufactured goods whose domestic production rises employ more unskilled and skilled labor. Second, whereas the output of services rises slightly due to the assumption of free movement of primary factors of production, skilled labor is substituted in part by unskilled labor. Therefore, the employment of unskilled labor rises, while that of skilled labor falls. Third, unskilled labor rises more than skilled labor in the sectors where their domestic production increases. Fourth, skilled labor falls more than unskilled labor in the sectors whose domestic production decreases.

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However, the interpretation of the simulation results of this study should be made carefully. In this paper, only one policy scenario of 100% cut of tariffs on all imported commodities between the EU and the U.S. was assumed. According to Francois et al (2013) and Ko (2014), the potential impact of the TTIP on the economies of the EU as a whole and the U.S. is much larger when trade liberalization in services, reduction of restrictions on foreign direct investment (FDI)

and public procurement are considered than in the case of trade liberalization through tariff elimination only, as done in our study.

The consideration of trade liberalization in services, reduction of restrictions on foreign direct investment (FDI) and public procurement remains as a future study.

The empirical findings about the perception of TTIP in Austria and within Austrian companies may imply interesting considerations for policy makers when communicating and arguing for the TTIP agreement. Right at the moment benefits are not clearly seen by managers of Austrian companies.

The data shows that, at large, the Austrian companies do not see any specific benefit or disadvantage from entering into the TTIP agreement. This might be caused by either lack of knowledge or lack of interest, which would imply more and more directed information disseminated by the policy makers.

Secondly, the data shows clearly that TTIP is not seen as a vehicle to foster proactive international activities. The main benefits are seen in functional and operational simplifications like approvals and harmonized regulations rather than in opportunities to engage in new international ventures. This might be not enough for Austrian companies who need to seek for more international outreach due to the limited size of the country. More and more specific arguments that foster internationalization through TTIP could be valuable to stimulate more openness towards increasing export quotas.

Thirdly, the data indicates that there is a fear that large (global) players gain clear advantage from TTIP compared with small and medium enterprises. Indeed, the main communication lines of TTIP promoters target large multinational companies. For Austria, as being dominated by SME mainly, arguments that target those smaller companies are missing. In order to reach a broad acceptance and agreement, specific reasons for small and medium sized companies should be provided.

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# ***Experience Oriented Thinking (EOT): A Driver for User Centered Innovation and Competitiveness***

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## **ABSTRACT**

This paper introduces Experience Oriented Thinking as a driver for innovation and competitiveness. Furthermore, this paper introduces how Experience Oriented Thinking (EOT) can be used as a tool to facilitate cross-cultural aspects of innovation processes and explores how EOT allows the use of cultural sensitivity as an innate opener of new innovation fields. When applied to product innovation, as well as to service innovation, EOT targets strategic innovation patterns within organizations with the goal to create a supportive and cost effective process which creates outputs that show a higher acceptance rate than conventional innovation processes. In cross-cultural business, EOT can be broadly applied along the value creation chain by supporting strategic alignment and therefore manifests itself as an innovation tool valuable not only in B2C, but also in the B2B sector. EOT allows businesses to identify and create experiences which make the interaction with a process, service or product sustainably desirable.

## **1 INTRODUCTION**

In an increasingly competitive environment innovation has become a driving factor for market leaders, technology leaders and hidden champions in a variety of industries. Not only has it become more important to innovate resourcefully, but also, it is imperative to gain better insights into existing and potentially forthcoming needs and requirements of current and upcoming user groups at an earlier stage of product and service development. This is becoming increasingly complex through cross-cultural aspects in business and innovation and therefore the demand for novel ways of measuring and anticipating the relevance of potential products and services are rising (Leavy, 2010). Experience Oriented Thinking (EOT) as a driver for innovation and competitiveness is fuelled by exactly that need for new methods to understand, structure and harness knowledge about user needs and aims to develop new innovation methods, which integrate a concrete outlook on the acceptance of future products and services in the markets into the innovation process.

This paper introduces how Experience Oriented Thinking (EOT) can be a driver for innovation and competitiveness and demonstrates how Experience Oriented Thinking goes beyond user centered methods for innovation (such as Design Thinking or Ideation), aiming to institutionalize a mental model which allows businesses to create and use innovation frameworks which fit their needs and use Experience as key concept. As Experience Oriented Thinking (EOT) is still a new and limitedly researched topic, this paper contains exploratory aspects of empirical work in this field. It aims to position Experience Oriented Thinking as a driver for user centered innovation and competitiveness. Also, this paper serves to explore cross-cultural aspects of Experience Oriented Thinking (EOT) and their meaning for technology acceptance. Parts of the introduced topics will open up room for discussions whereas others describe more concrete approaches in small examples of existing projects which work closely to the concept of Experience Oriented Thinking.

## **2 EXPERIENCE ORIENTED THINKING**

Presently, Experience Oriented Thinking is widely undefined in the literature, and refers to an organisation's ability to shape their own thought processes around users' experiences within the process of using a product or service, but also the process of understanding themselves as users within a process of innovation, change or development. The self-understanding of being a user in certain systems and the understanding of the effect of a variety of experiences which can occur (or would be aspirable to occur) throughout a process works as the foundation of Experience Oriented Thinking as a driver for user centered innovation and competitiveness. Looking at the meaning for product and service innovation, Experience Oriented Thinking stands for understanding products and services as tools to deliver aspirable experiences. Experiences in this case are a placeholder for holistic and comprehensive experiences which cater to primary and secondary user groups such as customers, maintenance personnel, installation or sales staff.

Building on that foundation the concept of "user-selfperception" the creator or shaper of new products and services first becomes the observer of experiences, or "experience-gaps", to eventually become the creator of new experiences later on in the process.

Empirical studies have shown that in 8 out of 10 organisations (startups, large organisations and SMEs) the quality of an organisation's innovation culture" (or lack thereof) has been identified as one of the strongest reasons for failure in delivering user relevant products or services. This is closely connected to the feeling of "lack of support within the own organisation" (this includes financial resources as well as the manpower and backing through decision makers). Looking more deeply into the cause of this perception, the "lack of relevance of innovation projects" has been identified as one major reasons why opinion leaders and decision makers would not support projects financially or otherwise. This in most cases again derives from "lack of understanding of experience gaps", by those people coming up with innovation projects as well as by those who refrain from giving support. It is the natural cycle of inefficient innovation processes which are driven more by company internal agendas rather than a (user) experience oriented perspective.

Experience Oriented Thinking tends to that problem by analysing an organisation's innovation approach and process (if available), identifying potential for installing user perspectives, and unhinging innovation barriers through ensuring the inclusion of "experience-gaps". This can be ensured by using toolsets which contain a bundle of awareness measures which support the adoption of Experience Oriented Thinking in employees and innovators through the "user-selfperception", as well as structured methods (such as ethnographic studies, participatory studies, User Centered Design, Experience Scouting, Experience Innovation, Technology Acceptance Models and many other methods) for identifying, understanding and harnessing "experience-gaps", and which are being transferred into the organisation through a cycle of a collaborative project.

## **3 THE NEED FOR EXPERIENCE ORIENTED THINKING (EOT)**

Looking back at the past decade in product development, design and innovation strategies, we have seen few novel approaches in improving the innovation process. Upcoming concepts such as Ideation (Graham, 2004), even though is using a highly creative component, still only covers a small part of an innovation process. More design driven approaches such as Design Thinking (Brown, 2009) historically go back to the early eighties, whilst their early roots go back to the decade before. Even if enabling innovative products and services, methods like this have been allowing organisations to successfully outsource the most innate factor of business success: innovation. This comes down to long term dependency on external support in

innovation and strategic decision making and slows down businesses in their reacting to market needs.

Even Tim Brown has recently argued that design thinking is now widely, but only sporadically, used within businesses. Brown argues that competitive advantage comes from sustained use of design thinking, from becoming "masters of the art" (Brown, 2015).

Statements such as Tim Brown's display the major flaw in approaches such as design thinking: the lack of anchoring in cross-functional teams and organisational processes. It shows that design-oriented approaches alone are not inclusive enough to jump-start innovation processes in organisations. More than that, it substantiates the need for more structured and sustainable approaches for user-relevant innovation within companies. Furthermore, organisational structures and their ability to support innovation processes become a critical factor for the increase of competitiveness.

In the most recent years the term user experience (UX) has been connected with the context of innovation more frequently than ever before. The concept of building innovations around experiences (Kumar, 2012) is becoming more familiar to innovation managers and decision makers and also takes a major part in the success of companies such as Apple or Google.

Given the precondition that user experience and customer experience is becoming a visible and measurable factor in innovation successes, still leaves with the problem of structurally implementing experience centered perspective or Experience Oriented Thinking into existing organisational structures, processes and workflows.

### **3.1 Experience Oriented Thinking - A cross-cultural approach**

This section explains in a show case the relevance of user-centered methods in cross-cultural projects and the underlying innovation potential. Furthermore, it compares a project-oriented multi-method approach with the concept of Experience Oriented Thinking.

#### **3.1.1 *Why a multi-method approach is not enough***

More recently, combining varieties of user centered methods have been used in research projects. The following the case study into the office environments of older knowledge workers in a cross-cultural setting (Gattol et al, 2015), demonstrates the limits of current approach, even if they are already multi-method.

The case study describes the following:

"Research on older knowledge workers in Romania, with the goal of gaining bottom-up insights that support the ideation, design, and development of features for a smart work environment."

The study is using a multi-method approach which includes following methods:

- Contextual interviews and observations
- Analysis of needs and frictions for deriving insights
- Ideation workshops for eliciting potential features
- Online survey among experts for evaluating final feature ideas
- Early stage prototyping of selected feature ideas

The process itself included an Austrian-German research team coupled with Romanian knowledge workers. Both process sides were operating in English. The cross-cultural aspect here is neither a geographic nor an ethnic one, but an intra-organisational cultural case-study as older workers were still operating within a paper culture (e.g. paper calendars) whereas the



younger generation was operating fully digital. In this particular case, the divergence between the two subcultures (paper vs. digital) opened up space for innovation, which would combine and facilitate the cross-(sub-) cultural communication on a daily basis. The feature thought of was a hybrid calendar, which allows the paper-culture (non-digital) to be automatically merged into a digital system without taking the preferred method of documenting appointments and meeting-times away from them. The benefit is mutual for both subcultures and it respects both sides' needs, preferences and mental models.

Looking at the case study from an Experience Oriented Thinking perspective, we see several aspects. Firstly, even though the approach was multi-method, the methodological tool-set was limited to understanding an organisation as an outsider (in this case an external researcher). Secondly, the process was limited to a single project and the learnings do not have an impact on the future innovation culture of the company. In addition the research outcomes in this case contribute to laying the foundation for future innovations in the work-context of older knowledge workers. Looking at it from an Experience Oriented Thinking perspective it becomes clear how EOT goes beyond single-project or multi-method approaches and therefore structurally adds value to innovation processes and organisational mindsets.

This section is only a brief example of how Experience Oriented Thinking differs from other multi-method approaches and how cross-cultural settings can/could benefit from Experience Oriented Thinking (EOT), whether they represent cross-cultural users and customer groups or subcultures within an organisation.

### *3.1.2 Why strategically incorporate Experience Oriented Thinking?*

This section describes the need of Experience Oriented thinking as a facilitator for cross-cultural settings including organisational sub-cultures as cross-cultural setting. Furthermore, this section briefly discusses the need of the strategic incorporation of Experience Oriented Thinking within an organization.

Experience Oriented Thinking drives innovation and competitiveness through unleashing the potential of a company by combining the organisational knowledge with individual customer/user and experience knowledge in a structured and repeatable way. Specifically, this means an adoption of user and experience centered processes in the entire organisational processes, including corporate strategies (event towards the creation of a CXO role – the Chief Experience Officer). As soon as the implementation of user centered approaches happens, the company can be described to be Experience Oriented Thinking centered. It sets the foundation for rolling out the mindset and culture into the organisational structure, and therefore, allows for Experience Oriented Project Management and Experience Oriented Leadership, which ensure the execution of Experience Oriented Thinking within the entire organisation and therefore increases the maturity index of a company's EOT.

The strategic incorporation of Experience Oriented Thinking reshapes the organisational focus of an organisation and tends to user needs with their solutions, rather than selecting a technology push approach. This allows for a faster product or service adoption in the market.

## **3.2 The meaning of user experience (UX) in a cross-cultural setting**

This section describes the potential of Experience Oriented Thinking in a cross-cultural setting, building on user experience research in cross-cultural settings.

### 3.2.1 *How does Experience Oriented Thinking open new spaces for cross-cultural innovation?*

As Daghfous describes in "Values and adoption of innovations: a cross-cultural study" (Daghfous et al, 1999),

"...an individual's inclination to adopt a new product is also influenced by his system of values. The advantage of using values to explain innovativeness is that this variable transcends national, cultural and social boundaries."

The consideration of cultural values and cross-cultural aspects has become wide-spread in the marketing sector, but where is the incorporation of values-centered perspectives as a factor for innovation? Values, and their positive or negative association with products and services offer one of the biggest potential for creating user-centered innovation. But not only the customer and their values should be relevant. More than that, the corporate values can be mirrored in products and services, and within a company's organisational processes (Lombriser, 1998). This becomes even more relevant when a company is dealing with variety of cultures, organisational subcultures which not only include geographic, language or religious backgrounds, but also educational backgrounds and various mental models which are established and working for those cultures.

These cultures define a second layer of experience complexity, as they often work diametrically to the aspired innovation-style and pace of an organisation. In the context of innovation, one of the main difficulties is the consolidation of underlying values of sub-cultures and utilise the potential which arises from different perspectives carried by different values.

### 3.2.2 *Technology Acceptance*

Technology acceptance has been proven to be a useful and viable factor to assess acceptance of new technologies, which create the foundation for products and services. In an innovation process which is based on Experience Oriented Thinking (EOT), technology acceptance plays the role of a tool to understand, measure and compare viability of products/services in respect to cultures of different imprinting and belief systems. (Viswanath et al, 2008)

Therefore Technology Acceptance can be an early indicator for the potential market success and so future experience successes and failures of innovations before major and high investments into building functional prototypes.

Furthermore, Technology Acceptance Models (TAM) are a valuable tool within the Experience Oriented Thinking approach to innovation. They are easily adoptable to fit companies' needs and become a facilitator between expressing a predicted satisfaction of future users with a thought of new product or service and deducing points of action in order to gain full satisfaction and acceptance. Additionally, customized Technology Acceptance Models represent a mechanism for the institutionalization of organizational learning as part of Experience Oriented Thinking.

## 4 CONCLUSION

As a conclusion, Experience Oriented Thinking (EOT) can be understood as a driver for user centered Innovation and competitiveness, even though it is still in its early stages of development. In particular this holds for the real and intense utilization of available experience knowledge for future product and service development. It already challenges the flaws of purely process oriented systems such as Design Thinking. It aims to enable companies and organisations to transform their innovation cultures into a user centered perspective, and equip

them with the tool-sets and method in order to be able to carry out the complex task of innovating more systematically and targeted, without the trade-off of limiting creativity. In a cross-cultural setting Experience Oriented Thinking (EOT) opens up new ways of understanding users and customer groups and therefore creates a novel space for innovation which derives from their needs, values, perspectives and therefore aspirable experiences. In organisational settings, Experience Oriented Thinking (EOT) helps organisations to innovate more resourcefully through the ability of deciding more qualified and informed on the likelihood of user-adoption at an early stage, and therefore enables to focus the efforts invested. Furthermore, EOT allows to facilitate innovation processes between companies and their customers/users in a measurable and repeatable way, helping organisations to win back the in-house lead in innovation processes.

## 5 FUTURE WORK

As current research on Experience Oriented Thinking (EOT) is still in its early childhood, there is vast space to explore the application of different methods in a variety of contexts. This includes the exact understanding of the importance of EOT for early stage startups which are defining their first product or service. Also, the role of Experience Oriented Thinking (EOT) in digital transformation processes is to be expected and first experimental results allow promising outcomes in that area. Besides the impact of EOT on different company sizes and maturities, there are various contexts we have started looking into and will be investigated further in the upcoming years. This includes the adaption of Technology Acceptance Models for EOT purposes, the development of EOT maturity models and mechanisms to install EOT according to organisational maturity ranks, and the refinement of an Experience Oriented Business Model Canvas.

Currently five Experience Oriented Thinking research projects with company partners are planned which address the topic of User Centered Technology Development. In those projects the Austrian Institute of Technology will be installing the Experience Oriented Approach as a foundation for the development process and support the companies with installing Experience Oriented Thinking in order to help drive and develop a culture of innovation.

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# ***Understanding Apparel Consumers' Shopping and Evaluative from a Cross-National Perspective***

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## **ABSTRACT**

It is imperative for fashion manufacturers and retailers to understand today's consumers' needs and aspirations. As many prior research studies found that consumer choice and preferences are influenced by many factors, including symbolic value, financial risk, utilitarian and psychological benefit. Our review of the literature suggests that limited research studies have examined the relationship between fashion innovativeness and product attributes, particularly in cross-national perspectives. The overarching objective of this study was to gain a deeper understanding of how female fashion leaders and fashion followers evaluate, select and consume apparel products in three different cultural contexts. We used online questionnaire survey to collect 105, 196 and 134 usable data from female consumers in Taiwan, India and Canada, respectively. Our results showed that in all cultural contexts fashion leaders were more concerned about the fit, style and quality of clothing, while followers were more focused on fit, price and comfort. Fashion leaders often used the Internet (e.g., fashion blogs and e-retailers) to search for and purchase products. We learned that female consumers in all markets often looked for aesthetic and symbolic values in a product. In addition, Canadian consumers were more price conscious than were their Taiwanese counterparts. If international fashion enterprises want to be successful in Taiwanese, Indian and Canadian milieu, it is important to discover what product attributes may trigger particular cognitive and affective responses and, ultimately, product choices among different customers.

## **1 INTRODUCTION**

Due to the globalization, democratization and proliferation of styles, consumers today have far more choices in almost every product category than ever before. However, evaluating and selecting a product from among a plethora of styles can be exasperating, laborious and stressful. This is particularly true of apparel selection, given the wide range of styles and the complex considerations of cost, product value, and social communication inherent in clothing selection.

A thorough search of the literature suggests that demographics alone cannot fully explain how consumers think, act and behave (Goldsmith and Flynn 2004; Narang 2010). In this study, we propose that in addition to the demographic profiles of consumers, product-related attributes (intrinsic and extrinsic cues) and consumer fashion innovativeness play significant roles in shoppers' decisions and choices. However, it is important to keep in mind that the correlations among these attributes and characteristics are complicated and cannot be easily illuminated in a linear fashion. Consumers do not purchase clothing merely to meet physical needs, such as for warmth and protection, but also to address social and psychological needs. Surprisingly few empirical research studies (e.g., Kim et al., 2002; Rahman et al., 2010) examine these complex

relationships – particularly from a cross-national perspective. Our research seeks to advance our understanding of consumer choice and preferences in the purchase of apparel products in various cross-national context. To guide and direct this study, we posed the following research questions:

RQ1: What product cues play a significant role in clothing selection and evaluation from a cross-national perspective?

RQ2: What fashion information sources do female consumers use for apparel shopping from a cross-national perspective?

RQ3: In different countries, do fashion leaders and fashion followers rely on the same sources when they search for fashion information?

This framework of study draws on a number of concepts/theories, including cue utilization (Olson and Jacoby, 1972), domain specific innovativeness (Goldsmith and Hofacker, 1991), and Hofstede's cultural dimension (Hofstede, 2001). The overarching objective is to gain an understanding of how female consumers evaluate, select and consume clothing in different national contexts.

## **2 LITERATURE REVIEW**

### **2.1 Product, Consumer and Culture**

Previous studies have indicated that products that include new features offer more appeal to consumers than do basic/ordinary styles (Nowlis and Simonson, 1996). This fact implies that a piece of fashionable garment may increase a consumer's propensity to purchase in order to create a fresh or coordinated new look. However, it is important to note that consumers living in collectivistic rather than individualistic societies (Hofstede 1984; Wu, 2006) may not necessarily adopt the "latest" or "cutting-edge" styles in the early stage of the product cycle, but may instead wait until the new fashions are widely accepted by the public. In other words, shoppers in a collectivist society such as Taiwan and India are more concerned about traditional values and social approval than are their counterparts from a more individualistic society such as Canada (Hofstede 1984). Overall, social conformity or "desire to conform" is an important determinant of product purchases for those who live in a highly collectivistic society (Oyserman et al. 2008; Rahman et al. 2010; Schütte and Ciarlante 1998). However, apart from such cultural differences, we assume that if consumers are young, affluent and notably fashion conscious, they may be more interested in the aesthetic aspects than the utilitarian features of a product.

On the basis of the preceding discussion, this study was attempted to investigate cross-national consumer behaviour in various areas of focus, including: fashion information source; product choice and evaluative criteria; shopping patterns; and buying motives.

### **2.2 Intrinsic Cues and Extrinsic Cues**

In order to gain a deeper understanding of how consumers evaluate and select a product, we must uncover the salient impacts of various product cues and consumer preferences.

According to many apparel studies (e.g., Newcomb, 2010; Rahman, 2011), when consumers engage in clothing evaluation, they often judge the product based on various descriptive, inferential and informational cues. These product indicators can be categorized into two types – intrinsic and extrinsic cues. Intrinsic cues are those attributes that are directly attached to the physical product, such as colour, style, fabric and fit. Extrinsic cues are those intangible

attributes which are indirectly attached to the product, such as price, brand name and country of origin. However, the salient impact of product cues may varied among consumers depending on their cultural and demographic backgrounds, as well as their personal needs and aspirations. One study showed that consumers tend to rely more heavily on extrinsic cues when judging a low-involvement or privately consumed product such as socks and pyjamas (Ahmed et al., 2004). Another study (Forsythe et al., 1999) found that Korean consumers tended to use intrinsic cues to a greater extent than Chinese consumers in product evaluation and buying decision processes. In our study, in order to understand both the choices and preferences of consumers from a cultural perspective, twelve product cues were selected – including nine intrinsic cues (fit, comfort, style, colour, materials, ease of care, durability, wardrobe coordination and quality of workmanship), and three extrinsic cues (price, brand name and country of origin). The selection criteria of these product indicators were based on previous apparel studies (Eckman et al., 1990; Rahman 2011; Rahman et al., 2009) – e.g., the popularity, relevancy and importance of the product cues.

### **2.3 Fashion Innovativeness – Fashion Leaders vs. Fashion Followers**

Many studies (Eicher et al., 2000; Beaudoin et al., 2000; Damhorst et al., 1999) found that fashion leaders are more interested in fashion than are fashion followers. Leaders often look for change, variety and the latest styles, exciting products, and new experiences (Goldsmith et al., 1991). In terms of self-concept, fashion leaders are more “excitable,” “indulgent,” “contemporary,” “formal” and “colourful” than do those of fashion followers (Goldsmith et al., 1996). Another study (Workman and Kidd, 2000) found that fashion leaders were more concerned about the uniqueness of a product than were fashion followers. In one study of apparel purchases (Beaudoin et al., 2000), six out of twelve evaluative cues were deemed to play a more significant role to fashion leaders than fashion followers – including colour, attractiveness, fashionableness, brand name, appropriateness for occasion, and choice of styles. Thus, it is reasonable to suggest that aesthetic and symbolic values (colour, style, fashionability) play a more significant role to fashion leaders than followers.

In addition to product evaluative cues, fashion leaders tend to read more magazines for fashion information (Goldsmith et al., 1991) and spend more money on clothing (Baumgarten, 1975; Goldsmith and Stith, 1993) than do fashion followers. In a similar vein, studies have shown that fashion leaders rely more on marketer-dominated sources (e.g., fashion magazines) for fashion information than on consumer-dominated sources (e.g., classmates) when they are searching for new fashion products (Vernette, 2004; Chowdhary and Dickey, 1988).

In order to understand and illuminate the differences between fashion leaders and fashion followers, the domain specific innovativeness (DSI) scale was adapted for this study. The DSI is a six-item balanced scale developed by Goldsmith and Hofacker (1991), which has been widely applied in different product and service domains such as information technology (Agarwal and Prasad, 1998), Internet shopping (Goldsmith, 2001), 3-G mobile services (Margherita, 2007), high-technology products (Hirunyawipada and Paswan, 2006), online banking (Aldás-Manzano, 2009), and fashion (Jordaan and Simpson, 2006).

## **3 METHODOLOGY**

Adult consumers (18 years or older) were recruited as participants in this study. The data were collected in Taiwan, India and Canada because of the significant differences among these three countries in regard to social, cultural, and economic conditions (Hofstede 2012). The questionnaire survey was developed in Canada and divided into three sections. Section one consisted of questions in three areas: (1) fashion innovativeness; (2) importance of product

cues; and (3) sources of fashion information. To measure various dimensions of the aforementioned areas, Goldsmith and Hofacker's (1991) Domain Specific Scale was adopted, twelve apparel cues were selected, and eleven fashion-information sources were employed. In this section, a 5-point Likert-type response scale (5 = strongly agree or very important, 1 = strongly disagree or unimportant) was used. Section two of the survey was focused on consumer shopping behaviour and buying patterns. This section included questions related to clothing choice and purchasing intent. For example, respondents from Taiwan, India and Canada were asked to select and indicate their product choices according to their cognitive and affective judgment, personal preferences, and tastes. The final section of our questionnaire survey was devoted to socio-demographic questions including gender, age, occupation, education, income and marital status. We employed SPSS to analyze the data we collected in the study.

#### 4 FINDINGS

In total, 187, 198 and 134 usable data were collected from Taiwan, India and Canada respectively. The subjects from these three countries were females, with most of them falling between 18 and 27 years of age (as shown in Table 1). The mean age of the Taiwanese, Indian and Canadian samples was 25.3, 20.0, and 26.8, respectively. All Indian participants and over 60% of both Taiwanese and Canadian samples were single or never married.

In terms of consumer fashion orientation, as indicated in Table 2, more Canadian respondents (23.9%) were categorized as fashion leaders than were respondents in the Taiwanese and Indian samples. It is interesting to note that although the Indian sample was on average much younger than were the Taiwanese and Canadian samples, the proportion of fashion leaders in the Indian sample was much lower than Canada. Many prior studies (Goldsmith et al., 1996; O'Cass, 2001; Palegato and Wall, 1980) have found that young consumers are more likely to be classified as "fashion leaders" than are older consumers, but our study suggests that this concept may not be applicable across countries.

**Table 1.** Demographic profile of respondents

	Taiwan		India		Canada	
Characteristics	Frequency	Percent	Frequency	Percent	Frequency	Percent
<i>Age</i>						
18-27	77	74.0	196	100	72	53.7
28-37	17	16.4	0	0.0	29	21.7
38 or above	10	9.6	0	0.0	26	19.4
Mean age	104	25.3	196	20.0	127	26.8
Missing	1	0.6	0	0.0	7	5.2
Total	105	100	196	100	134	100
<i>Marital status</i>						
Single, never married	83	79.0	196	100	90	67.2
Married or domestic partnership	21	20.0	0	0.0	37	27.6
Widowed, divorced	1	1.0	0	0.0	5	3.7
Missing	0	0.0	0	0.0	2	1.5
Total	105	100	196	100	134	100



**Table 2.** Innovativeness profile of respondents

	Taiwan		Indian		Canadian	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Fashion Leaders	9	8.6	20	10.2	32	23.9
Fashion Followers	96	91.4	176	89.8	102	76.1
Total	105	100	196	100	134	100

#### *Sources of Fashion Information – Differences among Countries*

In terms of fashion-information sources, “friends,” “magazines,” and “people on the street” were ranked relatively high by the Taiwanese participants, and “store/window display,” “friends,” and Internet – e-retailer website” were ranked the top three sources. Indian participants also ranked “friends” as the most important information source, followed by “parents” and “siblings.” These findings indicate that personal sources play a more important or influential role with Indian apparel consumers than do public sources. According to the findings of consumer-socialization studies (Bearden and Randall, 1990; Moore and Moschis, 1978), as children mature and enter adulthood, parental influence decreases while peer-group influence increases. A study of apparel shopping behaviour conducted by Koester and May (1985) also found that parental influence on clothing selection decreased as preadolescents age, but peer, sibling, and media influences increased. In a similar vein, Chen-Yu and Seock (2002) revealed that “friends” were the most important fashion information source of motivation for adolescents’ apparel purchases.

Our findings reinforce those of the previous studies. Taiwanese and Indian participants considered “friends” to be the most important and valuable source of apparel-purchase information, and those in the Canadian sample ranked “friends” as the second most important source. Note, however, that Indian participants ranked “parents” as the second most important source of influence, in contrast to respondents from the Taiwanese and Canadian samples – both of which ranked “parents” as the least significant sources of information. Possible explanation for this variation may include: (1) differences between culture in India and those of the other two countries; (2) the relatively young age of the Indian participants; (3) Indian families may emphasize parent-child communication and co-shopping experiences more than both Taiwanese and Canadian families; and (4) Indian young consumers may have less autonomy and less disposable money to spend on clothing than do their peers in other countries.

It is important to note that Internet (e-retailer websites and fashion blogs) played a relatively more significant role for the Canadian participants than it did for the Taiwanese and Indian participants. This finding is in line with a study released by ComScore Canada. As CBC (2015) pointed out: “Canadians are among the biggest online addicts in the world, visiting more sites and spending more time on the internet than anyone else in the world, according to ComScore Canada.”

**Table 3.** Major fashion information source

	Taiwan (N=187)		India (N=198)		Canada (N=172)	
Fashion Information Source	Mean [Ranking]	S.D.	Mean [Ranking]	S.D.	Mean [Ranking]	S.D.
Friends	4.28 [1]	0.700	4.06 [1]	1.049	3.68 [3]	1.073
Magazines	4.00 [2]	0.909	3.68 [4]	1.099	3.46 [5]	1.186
People on the street	3.90 [3]	0.854	3.02 [11]	1.197	3.63 [4]	1.199
Television	3.86 [4]	0.893	3.48 [7]	1.103	3.10 [7]	1.186
Store/window displays	3.85 [5]	0.852	3.68 [5]	1.052	3.86 [1]	0.982
Celebrities	3.74 [6]	0.951	3.42 [8]	1.215	3.08 [8]	1.292
Advertisements/billboards	3.68 [7]	0.872	3.42 [10]	1.099	3.04 [9]	1.285
Internet – e-retailer websites	3.50 [8]	1.128	3.65 [6]	1.020	3.69 [2]	1.133
Internet – fashion blogs	3.47 [9]	1.093	3.42 [9]	1.132	3.46 [6]	1.352
Siblings	3.35 [10]	1.185	3.74 [3]	1.114	2.77 [10]	1.314
Parents	2.98 [11]	1.248	3.81 [2]	1.016	2.70 [11]	1.212

\*[#]: Ranking of attributes are based on the mean scores (5=most important and 1=least important)

## 4.1 Fashion Information Sources

### 4.1.1 Taiwan

The mean differences between fashion leaders and fashion followers in Taiwan regarding the significance of fashion information sources were examined using the *t*-test. The results showed significant differences between leaders and followers in terms of using people on the street ( $t=0.839$ ,  $df=103$ ,  $p=0.000$ ), magazines ( $t=2.768$ ,  $df=103$ ,  $p=0.020$ ), and store/window displays ( $t=0.664$ ,  $df=103$ ,  $p=0.026$ ), to acquire fashion trends and information. Taiwanese fashion followers relied more heavily on what people wear on the street, magazines and store/window display for fashion information source than fashion leaders.

### 4.1.2 India

Our analysis of the data relating to fashion information sources in India showed significant differences between fashion leaders and fashion followers in terms of using friends ( $t=3.288$ ,  $df=191$ ,  $p=0.000$ ), and parents ( $t=4.065$ ,  $df=190$ ,  $p=0.006$ ) for fashion trends and information. Fashion followers relied relatively more often on friends and parents for fashion information than did fashion leaders.

### 4.1.3 Canada

The results of the *t*-test on the Canadian data showed significant differences in regard to a number of sources used by fashion leaders and fashion followers to obtain fashion trends and information. These included magazines ( $t=-4.671$ ,  $df=132$ ,  $p=0.012$ ), Internet fashion blogs ( $t=-4.567$ ,  $df=132$ ,  $p=0.024$ ), and Internet e-retailer websites ( $t=-2.560$ ,  $df=132$ ,  $p=0.026$ ). Clearly, public sources including magazines and the Internet (e-retailer websites and fashion blogs) played a more significant role to fashion leaders than fashion followers in their search for apparel information.

## 4.2 The Importance of Clothing Evaluative Cues

As shown in Table 4, it is evident that, overall, “fit” was perceived as the most important product attribute for clothing evaluation. “Comfort” was ranked as the second most important factor by Taiwanese and Indian participants, and ranked fourth by Canadian participants. Interestingly, both “brand name” and “country of origin” were perceived as relatively insignificant factors for clothing evaluation in all groups. Our results showed that the functional variables (e.g., fit, comfort, durability) and symbolic/aesthetic variables (e.g., style, colour and brand name) were given a similar role in clothing evaluation in all three countries regardless of the cultural differences that arise from participants living in a collectivistic society (Taiwan and India) versus an individualistic society (Canada). This finding is inconsistent with Rahman et al. (2010). However, we should be cautious in interpreting these findings because more than 50% of the participants in our Canadian sample were more than 27 years old, as shown in Table 1. In general, older consumers have less interest in fashion style or pay less attention to the symbolic meaning of clothing (Dart, 2001; McCracken and Roth, 1989).

**Table 4.** Significance of product evaluative cues

Product Cue	Taiwan (N=187)		India (N=198)		Canada (N=172)	
	Mean [Ranking]	S.D.	Mean [Ranking]	S.D.	Mean [Ranking]	S.D.
Fit	4.51 [1]	0.748	4.75 [1]	0.612	4.91 [1]	0.313
Comfort	4.42 [2]	0.690	4.44 [2]	0.887	4.31 [6]	0.834
Price	4.35 [3]	0.772	3.74 [7]	0.916	4.49 [3]	0.723
Style	4.30 [4]	0.771	4.05 [4]	1.012	4.51 [2]	0.692
Material - fabric	4.28 [5]	0.740	4.12 [3]	0.966	4.38 [4]	0.794
Colour	4.24 [6]	0.827	4.02 [5]	0.981	4.33 [5]	0.766
Wardrobe coordination	4.19 [7]	0.967	3.44 [11]	1.101	3.84 [9]	1.149
Ease of care	4.16 [8]	0.900	3.49 [9]	1.107	3.72 [10]	1.186
Durability	4.10 [9]	0.904	3.71 [8]	1.153	4.00 [8]	0.973
Quality - workmanship	3.99 [10]	0.838	3.85 [6]	1.031	4.30 [7]	0.879
Brand Name	3.17 [11]	1.180	3.47 [10]	1.130	2.66 [12]	1.180
Country of Origin	3.05 [12]	0.955	2.58 [12]	1.199	2.68 [11]	1.247

*\*[#]: Ranking of attributes are based on the mean scores (5=most important and 1=least important)*

## 5 LIMITATIONS

We believe that this study provides some insights and information to fashion practitioners and academic researchers. However, there are several limitations to the present study. Firstly, the addition of qualitative research methods could have provided an in-depth understanding of consumers’ perceptions and preferences. Secondly, a single study should not form the basis for generalizations; thus, more replicated studies are needed to strengthen the data’s validity and reliability. Future research may expand to include consumers’ interactivity and engagement with online/offline shopping, cognitive and affective responses of e-retailing websites, and cross-cultural examination of global social networking, advertising and e-retailing strategies.

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# ***Managing Your Customer Centric Initiatives***

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## **ABSTRACT**

As organizations around the world confront new economic realities, many find organizing an effective response in this highly complex, highly uncertain environment to be uniquely challenging.

Their sense of heightened uncertainty and risk reflects a business landscape. The rapid advance of communication technology and electronic commerce has eroded customer loyalty by creating more convenient access to product information, purchase options and services. In mature economies, market saturation has slowed growth in many categories. In emerging markets, greater consumer spending power has drawn the attention of providers searching for fresh growth, spurring further cross-border competition.

Judging by the size of these investments there is a risk of Customer centricity being just another passing fad (think reengineering, six sigma, and the myriad of other buzzword programs that were sent to an early grave) looms large.

What we are hinting about here is a lack of basic controls and check mechanism. The ratio of the types of measures and tracking systems necessary to efficiently manage and deliver on their Customer centric commitments is far less than the number of new Customer centric investments and initiatives that are announced everyday globally.

The brighter side is that effective Customer centric governance is fairly easy and inexpensive to put in place, but it does require that you make it a focus and priority, and assign to it an importance commensurate with all its other critical activities.

Organizations that truly deliver for customers know how they must evolve to meet customers' priorities. It starts with understanding the role of culture and its impact; secondly articulating Your Line of Sight; thirdly describing (holistically) what success looks like; Fourthly Integrating your goals with your program's initiatives; Fifth how do you review and manage your "pipeline" of improvements. Lastly, how do we measure progress periodically both at the program and activity level?

## **1 INTRODUCTION**

Organization and nations since historical times are in the eternal quest of the Holy Grail to get the competitive advantage and build capabilities to sustain profits and growth. Gold and silver discovered in Americas and building of marine supremacy was a logical step in the direction during the 15 & 16 century. The birth of industrial powers and the capabilities to maintain colonial power to sustain market for the mass produced goods was the next step in the direction for adaptability and sustenance of profits& growth.

In the recent times, the Blue Ocean Strategy created by Kim and Mauborgne (2005) introduced a new way of thinking, a new strategic mind-set that charts a bold new path to winning the future. Customer centricity is an initiative in creating the Blue Ocean strategy for an organization during the turbulent times. Being customer centric as championed by Fader (2012) means looking at customer's lifetime value and focusing marketing efforts squarely on real world high time value. However to reduce it from being just a lexicon let's see how do we align the intent and the process to make customer centricity a living organism thriving and evolving instead of becoming an extinct species. Listed below are some of the initiatives which are central to creating a corporate customer centric journey into a reality.

## 2.1 ROLE OF THE CULTURE

Wal-Mart's foray into China, Monsanto's initial struggle in India and Huawei's spectacular performance in Europe are examples of impact of culture so many times considered a softer issue till it becomes too late to make course correction. Putting customers at the center of your business would be initiated only through being aware of the impact of the culture.

### 2.1.1 *Culture of collaboration*

A customer-centric organization demands a new culture of collaboration. The product-oriented sales culture of old was, by definition, territorial with little sharing across organizational silos. Not so in the customer-centric organization. Tailoring solutions to customers' ever-changing needs requires a level of cooperation across functions, across product and service lines, and across company boundaries that is unprecedented and not a little uncomfortable.

### 2.1.2 *Align Strategy with Culture*

Executives may underestimate how much a strategy's effectiveness depends on cultural alignment. A company's culture can begin with words, but those words need to represent a decision—something you actually stand for, a decision then expressed in the clearest, and ideally fewest, words. Find a central operating principle. Think of the Ritz-Carlton "We are Ladies and Gentlemen serving Ladies and Gentlemen," or Mayo Clinic's "The needs of the patient come first." Mayo clinic promotes unusually high levels of collaboration and teamwork, reinforcing those traits through formal and informal mechanisms.

### 2.1.3 *Maintaining a composite culture with massive Growth: employee retention*

At current rates of attrition, Indian Banking industry will need to hire over 400000 more people. Attrition leads to a direct wastage of time and resources invested in hiring and training the person who has left the organization. It has more debilitating second order consequences. High attrition environments find it difficult to maintain culture and value system. It also affects employee morale and hence engagement levels. A culture of engagement is a natural progression in sustaining customer centricity.

### 2.1.4 *Impact of Local/ National Culture*

The research results (2013) show that national culture have an impact on organizations' activities, procedures, and management in change implementation. As Miroshnik (2002) concludes, there are elements such as values and social structures that emerge from national culture and directly influence organizations' activities and procedures through their employees. In this case, the influence of national culture on the organization's activities also became evident. Local people represent values of the national culture that also creates their philosophy of life in the workplace. This partly explains why the same activities are carried out differently depending on the country and national culture.

Huawei success story is a further proof to our testimony on the role of culture. Here are some interesting details.

The Shenzhen-based firm also highlighted research from (2014) IPSOS a marketing research firm that ranked it in first place in brand awareness growth. Mark Skilton, professor of practice in the Information Systems & Management Group at Warwick Business School, said Huawei's headway was attributable to a "new way of thinking" at the vendor, which is banned from selling its networking equipment into the US and some other countries. "Samsung's global mobile phone market share is 25 per cent, but that has been falling, while Apple has 11 per cent

followed by Huawei at seven per cent in third, but it is catching up," he said." This has been due to a cultural shift made by the company towards what the CEO described last year in its European conference in Zurich as a new way of thinking. No longer is Huawei a telecoms network 'pipe', delivering in the main broadband. It sees itself as a digital business focused on customer service.

## **2.2 Line of Sight**

Line of Sight is initiated by defining the vision and awakening the organization to the challenges of current reality of profits, growth, competitiveness, etc. facing the ecosystem. Thereby creating strategic insights for Customer facing positions as well as operating managers. Detailed are some process which evolve the role of line of sight in customer centricity.

### *2.2.1 Define Vision and Implementation Mechanism*

Leaders need to create an explicit vision of the customer centricity & its relevance in the current scenario and then walk the talk, backing up their commitment with action and investment to propel the organization into a momentum. To enable the vision see the light of the day, management should install measures to ensure the vision guides employee mindset – for example, by implementing a code of behavior. Ideally, this code will be translated into a balanced scorecard and a go-to-market model. Since, employees want to know whether their company has—and their leaders collectively support—a vision and a strategy. An outstanding customer experience creates promoters, and promoters are more valuable to a company than other customers.

### *2.2.2 Create Insights for Customer facing positions*

Those in customer facing position should have both a clear idea of their own responsibilities and the tools and authority to achieve them. The front line must learn how to take responsibility for the customer experience. Bonus payments should be tied to the level of customer loyalty. This ensures that the vision is not just a promise to the external world, but provides a framework for activities within the organization and gives employees a purpose they can identify with. Staff may even develop a sense of being proud to work for their employer. Such positive energy leads to better performance. When Bain surveyed marketing and sales executives on how their companies performed in 60 areas, the largest gap between high and low performers (as measured by Net Promoter Scores and market share growth) occurred in “a front line that understands and passionately executes the strategy.”

### *2.2.3 Have an “outside-in” outlook*

The outside-in approach should not only look into the customer segmentation but the entire value chain. This involves clearly not only defining strategy and desired outcomes, but also knowing your ecosystem & the underlying culture, aligning stakeholders, defining accountabilities, and establishing internal commitments. Customers see that series of interactions from the outside in, colored by their expectations and their alternatives. Customer centric leaders embrace the customer, local culture and employee perspective, rising above internal complexity to see and manage the whole picture from the customer's point of view. Becoming customer-centric means looking at an enterprise through the lens of the customer and his ecosystem rather than the producer or the organization. It's about understanding what problems customers face in their lives and then providing mutually advantageous solutions. Silos must be bridged, not necessarily busted. Delivering the differentiated experience includes



a cultural shift from an inside out to outside in which translates into customer centricity from product centricity and finally the role of clear-cut vision. The illustration in Exhibit 1. Details the mindset shift from product centricity to customer centricity another instance of mindset evolution.

## **2.3 Defining (holistically) what success looks like**

### *2.3.1 Evolving Organizational aspiration by focusing on Long-term Relationship*

Techies love their product, but it's the user who needs to love it more to make your business venture successful. Few minutes per day on Customer experience review can take your venture long way. And it means focusing less on driving customer transactions for short-term gain, and more on fostering trust-based relationships over the long term. This customer-centric initiative can, and often does, lead to fewer service interactions, channel transfers, and process rework, however declaring & communicating these benefits to customer interfacing segments soon is vital. Define Customer centricity by articulating the differentiation/distinct value proposition and monitoring its actual delivery to customer. Clearly define your organizational goals as well as the customers you are prepared to serve now and those you would like to serve in the future. "In turbulent times, your strategy matters more than ever. The world's greatest companies weather adversity and uncertainty much more adeptly by operating from their core strengths. A strategy built on these differentiating capabilities helps you outpace the competition, achieve faster growth, and earn the right to win"-(PwC)

### *2.3.2 Companies need to recognize, develop and manage more than one kind of customer loyalty*

The new complexities of knowing and reaching customers ultimately impact the experience companies create for them. Customers tend to have distinct preferences regarding multiple factors that shape their perceptions of and satisfaction with the experience: product functionality, price and service terms, the variety and availability of service channels, to name a few. Understanding and addressing all these preferences is indeed challenging—particularly for companies that serve a large, demographically varied customer base, spanning geographic markets. Putting users at the center of the product universe – Apple. Apple Inc. is famed for the outstanding usability and customer-centric design of its products. The IT Corporation transports the feeling that it can intuit customers' needs, promptly materializing them in new products. It is constantly evolving. But one anchor of Apple's success is surprisingly low tech: its chain of bricks-and-mortar retail stores where they excite their customers with truly needs-based products and services. Apart from the unique but always recognizable (branded) look and feel of the stores, their checkout system is also innovative. Instead of having staff stand behind the counter, they move around the store talking to customers in an open concept. According to the statistics, the number of visitors to Apple stores over the last 10 years has exceeded the population of the US.

### *2.3.3 Leverage digital technology*

Unlike branch banking, if banks want to integrate digital banking will require banks to forge new relationships by taking into consideration the entire ecosystem like telecom operators, merchants, etc. For example, they will need to develop mutually beneficial partnerships with telecom operators to fully leverage the potential of mobile banking. Banks could also look at signing up businesses and merchants (directly, or indirectly through intermediaries) to develop a robust bill-pay network for their customers. Another way for banks might be to tie up with

numerous nimble non-banking organizations to bring innovative value propositions to customers. BCG survey of more than 40,000 banking employees IN INDIA in 2014 revealed that only about 50 percent of the respondents themselves use digital channels like mobile. Banks need to undertake massive internal training and sensitization programs to get their own staff on-boarded, with regard to digital channels. Only the employees who are using such platforms themselves can truly and confidently influence customers to embrace digital channels. Frontline employees' key performance indicators should have explicit weightage and targets for on-boarding existing and new customers to digital channels.

## **2.4 Monitor and manage your “pipeline” of improvements – Test, scale up, and iterate**

### *2.4.1 Understand the needs and the cost to serve*

One of the characteristics of a mature Customer centricity program is a healthy “pipeline” of small and well-focused initiatives delivering ongoing improvements to customer touch points and delivery channels. It's initiated by understanding needs and economics of serving the needs. Tailoring solutions and testing out the prototypes from the users' viewpoint. Modifying wherever necessary.

Consider a list of some of the activities that banks do—data entry, filling ATMs with cash, maintaining self-service machines, delivering documents, maintaining servers, helping employees with basic computer-related issues, maintaining IT applications, securing premises, managing records, housekeeping, maintaining facilities, preparing payroll, etc. A large number of bank employees are engaged in carrying out these types of activities. Are these core activities of the bank? Should bank employees necessarily do these? Is doing this activity in-house the most productive use of relatively expensive banking talent? Would it dilute control or increase risk if some of these activities were outsourced?

Answers to these questions could vary slightly for different banks, given their starting points, cultures and organizational limitations. Banks will need to create a framework for outsourcing. To start with, they will have to develop robust capabilities for vendor relationship management in order to realize the full benefits of outsourcing. Also, banks need to choose a select number of vendors who are almost partners in the business, and are as interested in continuous improvement as the banks themselves are. One of the characteristics of a mature Customer centricity program is a healthy “pipeline” of small and well-focused initiatives delivering ongoing improvements to customer touch points and delivery channels is initiated by understanding needs and economics of serving the needs. Tailoring solutions and testing out the prototypes from the users' viewpoint. Modifying wherever necessary.

### *2.4.2 Switch from an “innovation funnel” to an “innovation pipeline”*

Another logical consequence of aiming high and supporting big is that companies won't be able to support too many launches. This should encourage them to abandon the standard “innovation funnel” approach of generating and screening a flurry of ideas. That path inevitably leads to considerable yield loss and product proliferation. Instead, start by determining what new products can win with shoppers and how many can reasonably be implemented in the store—then working backward to develop those products. This puts the onus on consumer products companies to boost their shopper insights and customer management capabilities. The example below illustrates the point.

Tata Motors, which developed the Nano, the cheapest car ever produced, is now building on its strength in the Indian truck market to export more trucks to other emerging markets. In

Russia, Tata sees tremendous market-growth potential and an opening to challenge local original-equipment manufacturers—if it can tailor its products and business model. Tata's Super Ace small-chassis truck, for instance, will need more torque, a larger load box, and a roomier cabin—and, of course, heated mirrors. Tata is weighing other elements of the business model as well—which brands to emphasize, whether to use company-owned service centers, and how to offer more vehicle financing. Exhibit-2 details the concept.

## **2.5 Map the connections and interplay between your goals and your program's initiatives**

### *2.5.1 Customer Journey Mapping*

The principle is to remember that 'journey mapping must involve the customer' and should always be underpinned by facts and accurate data, not personal viewpoints or assumptions of the team. Where feasible, actual customers should be directly involved in mapping workshops. This will help paint a clearer and more unbiased picture of the customers' actual experience and expectations. After all, how effective can a customer journey map be without real customer insight? Some companies have used technology to tailor their approach, Amazon.com perhaps most visibly, it uses a customer's past purchases and browsing behavior, as well as the purchases of similar customers, to tailor recommendations to the customer's distinct preferences.

### *2.5.2 Interlinkages of KPI*

To develop the necessary esprit de corps, companies must build linkages across their organizations. Key financial and operating metrics will change. For most firms today, customer-centricity is a necessity for survival — the only sure way to ensure the organizational resilience that will keep a company out of the jaws of commodity hell. Instead, organizations need simpler KPIs that cut across organizational boundaries, rationalization of organizational structure to reduce boundaries, and lean processes to reduce hand-offs. Targets, objectives and role mandates of people will have to change; new dashboards and metrics will have to be created; cooperation mechanisms will have to be fostered. However, co- operation cannot be decreed. It is not a matter of structure, processes or systems alone. Cooperation happens only when the work context makes it individually useful for people to cooperate

### *2.5.3 Design, deliver and DNA*

Frame the process of customer centric-change (see Figure 4). Every company's journey is different, because each one starts from a different place and has its own unique strengths and weaknesses. But the essential elements of each truly customer-centric company take a different, wide- angle view. In case of banking for instance it's moving beyond event-oriented marketing, they have developed a holistic and continuous view of each customer's evolving life-cycle needs as he or she moves through marriage, home ownership, parenthood, and other transforming life experiences. View the entire value chain to be consistent, e.g. Third-party channels and routes to market also affect customer loyalty—and can destroy unless they are managed effectively. Analysis and decisions concerning such factors as offers, sales incentives, pricing, service delivery—all dimensions of the customer experience—should include all the trading partners who contribute to the customer experience. In most retail banks, traditional channels (branches, ATMs, online banking, contact centers) are not yet fully

integrated.

Cutting costs indiscriminately, without understanding customer impact, can damage trust, leave customers more receptive to competing offers and make them harder to win back later. Involve distributors and, together, build stronger partnerships.

Once say an FMCG company identified its highest-priority categories, cities, and outlets, it will be able to allocate resources more effectively and make decisions relating to distribution, sales-force effectiveness, and change management more easily. Executives will have window into how all those seemingly random initiatives translated into things they were directly accountable for and cared deeply about, and had no problem investing accordingly. Customer Journey mapping will deliver its promise.

## **2.6 Periodic review/Feedback on the Progress**

### *2.6.1 Review Mechanism*

Most of the work done in the above areas will go for naught unless one establishes some ongoing reporting of progress at both the program and activity levels. Since ROI for customer centricity can only be proven through such measurements. The number of reports, content and frequency of distribution will be unique to the needs of your program. The strongest Customer centric programs are those that make measuring processes a top priority. What's important is that reporting against your goals and standards occur on a regular basis and with a high degree of transparency. Create an initial customer satisfaction scorecard and begin to define key customer key result areas (KRAS). They help you to evaluate your achievement in the process and the lead factors KPI-key performance areas. They help you to guide & influence achievement your process.

Other mechanism include designing a basic (but formal) voice of the customer (VOC) program and pilot it in a business unit. Using actionable segmentation and analysis to know their customers deeply. This knowledge helps them understand changing behaviors, predict future needs and preferences and make more profitable decisions about offerings, pricing, channel strategies, campaigns and customer treatment. Use analytics to measure effectiveness of initiatives.

### *2.6.2 Simplicity of Metrics*

Over the longer term, organizations need metrics and benchmarks of the sort created for sporting events like football, basketball, so that everyone in the organization knows how they are doing & which levers to push to trigger outcome. Knowledge of Analytics could be leveraged for creating a dashboard. The user-centric approach will build ownership thus reduce escalations. This also ensures value for the business build on trust and responsiveness impacting ease for the employee to customer with organization rather than just a tool pushed down their throat Analyze the existing barriers to effective retention and cross-selling efforts. Customer insights and intelligence invariably dwell where the customers are—on the front line—so customer interfacing channels should be armed with the skills and authority to tailor solutions at the point of contact

E.g. Ritz Carlton has taken the opposite approach, delegating authority and accountability for local decisions to the customer interface in their hotels. Front line employees have great latitude in addressing and anticipating guest needs. Hotel staff fully own customer complaints and have the authority—within broad corporate guidelines—to compensate guests on the spot for any problem or inconvenience.

### *2.6.3 Special Function dedicated for Customer Centricity*

It will also be a good idea to have a small people managing the function with accountability to

the business. This will ensure ROI, innovation and customer journey mapping, audit and evolution of the initiative. This will also help to curtail monopolies and resources are made available wherever the tooth is.

2.6.4 Reward and Recognition

To sustain momentum and commitment, organizations must have a recognition and reward system leveraging the metrics. This also builds trust in the system so very critical for sustainability. Ensure that the functions which do not cooperate to bear the cost.

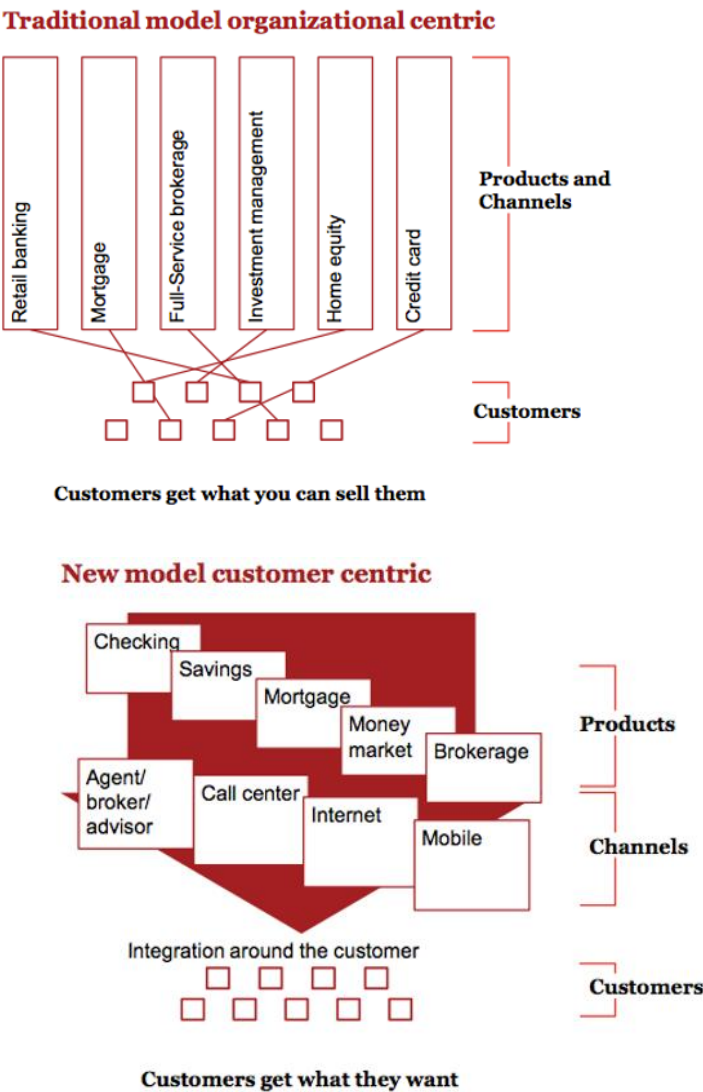


Figure 1

## Solutions Advance the Customer Value Proposition


Industry	Traditional Product =	Traditional Value Proposition	+ Value-Added Services =	Customer-Centric Value Proposition
Truck Manufacturing	▪ Trucks	"We sell and service trucks"	▪ Financing ▪ Service	"We can help you reduce your life-cycle transportation costs"
Aerospace Components	▪ Aerospace fasteners	"We sell high-performance fasteners"	▪ Application/Design support	"We can reduce your operational costs"
Utilities	▪ Electricity	"We provide electricity reliability"	▪ Energy asset maintenance	"We can help you reduce your total energy costs"
Chemicals	▪ Lubricants	"We sell a wide range of lubricants"	▪ Usage and application design ▪ Lubricant analysis	"We can increase your machine performance and up-time"
Pharmaceuticals	▪ Drugs	"We sell pharmaceuticals"	▪ Product support ▪ Outcomes-driven information database	"We can help you better manage your patient base"

Source: Booz Allen Hamilton

<sup>1</sup> Booz Allen Hamilton, "Smart Customization: Profitable Growth Through Tailored Business Streams," November, 2003.

Figure 2

### Smart Rules to Enhance Cooperation, Leadership, Engagement




**Improve knowledge of others**

- Their work, strengths
- Management to recognize performance



**Expand the shadow of the future**

- Adjust duration
- Increase frequency
- Promote inversion




**Reinforce integrators**

- Remove rules
- Remove dimensions in the matrix, layering
- Refuse escalation




**Enlarge the domain of reciprocity**

- Set rich objectives
- Cut resources
- Eliminate internal monopolies



**Increase total quantity of power**

- To give all actors enough cards to play a more collective game



**Modify the pay-off matrix**

- Make those who don't cooperate bear the cost

Source: Y. Morieux (2011), 'Smart Rules: Six Ways to Get People to Solve Problems Without You', Harvard Business Review, volume 89, n°9, September: pp78–86.

Figure 3

Figure 4: Bain's approach to customer experience transformation builds leadership

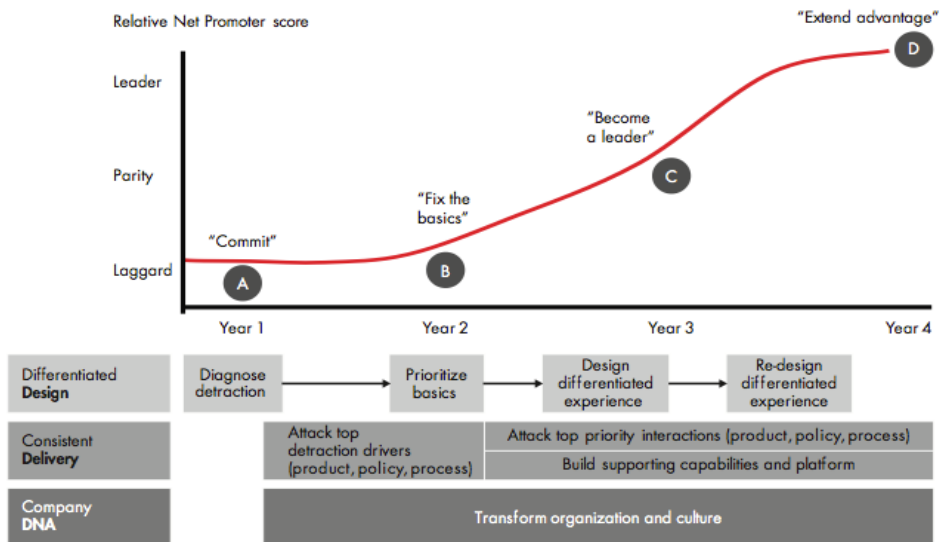


Figure 4.

### 3 SUMMARY

To summarize, Customer centricity is a vehicle for the organizations to differentiate themselves from the competition. For Customer centricity to achieve sustenance, agility & resilience, it's essential to resolve the challenges of the ecosystem or the entire value chain. Hence an outside in reference frame leveraging the power of people, processes and technology is the way forward.

This will align the intent with the process making sustainable growth, above-average profitability and ultimately a competitive advantage of knowing the customer, reaching them and ultimately delivering the experience. Since both the operating managers and the customer interfacing personnel's have strategic insights. It's also critical that the processes and oversight needed to execute with measurement and accountabilities with clearly defined roles & tools available. Periodic review and progress report is the order of the day. It would be great to have a small independent function accountable to the board or CEO. Mapping the customer journey periodically ensures that all of the components of your customer-centric framework are in place and being managed. This specialized function can also provide the oversight needed for customer centric initiatives, and will often work through the leadership team (via steering teams, councils, or other vehicles) to reinforce and oversee progress and manage the ROI of the program.

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# ***Legal, Ethical and Business Consideration in Developing Drugs Derived from Traditional Medicine***

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## **ABSTRACT**

Drug development is a lengthy and expensive process, costing in excess of \$1 billion and taking over 7 years to take a drug through highly regulated processes, from initial discovery to market release. Yet, indigenous peoples from across the world have been developing and using naturally-derived medicines for millennia through “unregulated” processes. How can such medically useful interventions be developed and introduced into the global pharmacopeia and marketplace, so the world can benefit, without exploiting the indigenous peoples who have developed and “own” these medical products? This paper will explore the legal, ethical and business considerations in commercializing traditional medicines developed from indigenous communities, with a focus on Amazonia. In particular, intellectual property (IP) considerations will be discussed, and how that affects both the rights of indigenous peoples, and the commercial value of the product being commercialized, balancing these two needs and perspectives. Changes to international law, and proposed strategies for pharmaceutical research and development collaborations, will be discussed, in light of a past abuse involving the plant-derived traditional medicine, ayahuasca.

## **1 INTRODUCTION**

Development of drugs is costly and time consuming. The original source of drugs to be developed can be rational design of new molecules, or molecules derived from natural sources. Often, drugs derived from natural sources are (re)discovered by academic or industrial researchers, because they were first developed and used for centuries - or even millennia - by indigenous peoples. This paper explores the legal and ethical implications of developing drugs derived from traditional medicines used by indigenous peoples in Amazonia, with a focus on Peru. In this regard, there are regional, national, and international laws that exist to protect the interests of indigenous peoples; but, within the constraints of these new laws, can and should these traditional medicines to be commercialized, with potential global benefit? The issue is explored in the context of research collaboration agreements, along with Peruvian, U.S. and international treaties that protect rights of indigenous peoples.

As the pipeline of new pharmaceuticals from the global pharmaceutical industry is shrinking, industry productivity is decreasing and research and development costs are increasing (Ish Khanna, 2012). These market forces will likely drive the industry to consider more creative ways to fill their product pipelines. One solution, and the topic of this paper, is for academic and industrial pharmaceutical researchers in the U.S. to team up with researchers in Amazonia, working with the local indigenous peoples. They can collaboratively develop new medicines based on the *Traditional Medical Knowledge* (TMK) of the Amazonian shamans. This can only work if the interests of all parties, from the researchers and companies involved, to the indigenous peoples from which the TMK originates, are fully considered and respected. In this regard, lessons can be learned from past mistakes, such as with ayahuasca.

## 2 AYAHUASCA – A TRADITIONAL MEDICINE FROM AMAZONIA

A notable example of abuse of indigenous people's intellectual property rights, involving shamans in Peru, is the ayahuasca plant (*Banisteriopsis caapi*; **Fig. 1**). Ayahuasca was introduced to the scientific world by Harvard biologist, Richard Evans Schultes (Schultes and Hofmann (1980)). In the Quechua language of Amazonia, ayahuasca means “vine of the souls.” It has been used by shamans for centuries to treat various psychiatric disorders, and is used in various healing and religious ceremonies (Hill (1952); Dobkin de Rios (1970)).



**Figure 1.** Picture of a live ayahuasca root (left panel), and a piece of the root sold in a Peruvian market (right panel). Photo is courtesy of Dr. Dean Arneson.

Even though ayahuasca is available for purchase in markets in Peru (**Fig. 1**), the use is generally restricted to shamans who possess valuable TMK, since they know best how to prepare it in a way that is safe and effective (Hill (1952); Dobkin de Rios (1970)).

This example clearly illustrates the value of the TMK of Amazonian shamans, who for ayahuasca had uncovered a pharmacologically useful medical treatment that is based upon molecular components. While these molecules might not be patentable subject matter (as products of nature) (Gipstein (2003)), combinations of molecules might be considered to be patentable subject matter, as composition of matter. This is significant, since pharmaceutical companies will typically only develop a drug if composition of matter protection can be obtained. Thus, co-development of TMK-derived drugs poses an IP challenge to pharmaceutical product developers, in terms of how a useful medical treatment can be patented. The industry has three main options: to patent at the level of the plants used, the active chemical components extracted from the plants, or mixtures of those active chemical components.

Development of TMK-derived drugs presents a challenge to the international community to consider whether it is ethically permissible to even allow this type of patenting. Is it right to allow researchers who discover the active molecules present in traditional medicines, to patent and then profit from these discoveries, without returning benefit to the shamans and their communities? And can they even patent them, or are there legal “prior art” bars that prevent patenting, since shamans have been treating with traditional medicines, like ayahuasca, for centuries?

## 3 LESSONS FROM PAST ABUSES OF TMK WITH AYAHUASCA

Even though ayahuasca was used by shamans practicing TMK for centuries, Loren Miller filed for and was granted a U.S. patent, Plant Patent No. 5,571, on the ayahuasca plant, on June 17<sup>th</sup>, 1986 (**Fig. 2**) (UA Patemt (1984)). Arguing this was an exploitation of TMK, David Downs and Glen Wiser filed a request for re-examination with the U.S. Patent and Trademark Office (PTO) (Downs and Wiser (1999)). The Miller patent claimed “a new and distinct (cultivar) of the species *Banisteriopsis caapi*.” Downs and Wiser argued this claim was invalid for several

reasons, but especially based on the existence of prior art, which should result in 35 U.S.C. §102 rejections by the PTO. They argue that ayahuasca is well described in the scientific literature and in the “traditional knowledge of indigenous peoples throughout Amazon,” and had also been documented on “herbarium sheets” (Downs and Wiser (1999)). After considering the arguments presented by Downs and Wiser, the U.S. Patent and Trademark Office (PTO) rejected the Miller patent in a November 3, 1999 office action. (Downs and Wiser (1999)). Thus, this apparent injustice was undone, but not without having a lasting impact.

This case of “bioprospecting,” now recognized as a clear abuse, has led to creation of a number of new laws and protection in South America, especially in Peru and Ecuador. These include Peru’s *sui generis* protections (Law No. 27811), and the Andean Community. Other international treaties that affect IP rights of indigenous peoples in Amazonia include the U.S.-Peru TPA (Trade Promotion Agreement), and the Trade Related Aspects of IP (TRIPS) agreement. TRIPS is an international treaty that aims to harmonize IP laws globally, while still respecting national laws (Agreement on Trade-Related Aspects of Intellectual Property Rights (1994)).

#### **4 CO-DEVELOPING AND COMMERCIALIZING TMK-DERIVED DRUGS**

The TMK that is the foundation for medical treatments used by indigenous peoples is certainly valuable to that community. But, it also has great untapped value for the global community and marketplace. To realize this value, there needs to be a mutually beneficial collaboration between the indigenous peoples that own the TMK, and academic and industrial drug developers. Such an agreement should have the goal to extend the benefits of TMK globally, while respecting the Intellectual Property (IP) rights of the indigenous peoples from whom TMK-based medicines are derived. Importantly, there should be equitable sharing of any future revenue and other benefits with the indigenous peoples, and all decisions must be made using informed consent, where there is full disclosure of all material risks and benefits. The Miller patent of the ayahuasca plant is an example of bypassing this process, which led to public outrage and the creation of laws to protect IP rights of indigenous peoples in Amazonia.

Future drug development initiatives must build on the lessons from ayahuasca, to ensure protection of IP rights of indigenous peoples, and to also ensure compliance with national, regional and international laws, including Peru’s *sui generis* protections (Law No. 27811), the Andean Community, and the U.S.-Peru TPA. With these constraints and guidelines, research collaborations between international and Peruvian researchers and companies, and indigenous communities, can proceed, with the goal of bringing traditional medicines derived from TMK to the global marketplace.

Companies involved in such collaborations will naturally be focused on identifying the active chemical components from the Amazonian plant extracts, and patenting them as *composition of matter*. This is a practical requirement of modern pharmaceutical development, since the companies who would license and develop such drug molecules will only make this significant financial investment if they have the stronger patent protection of *composition of matter* (versus *method of use*). Such patenting should be done in partnership with the country and community of origin, with full informed consent as part of a licensing process. Only then can the co-development process proceed in a mutually beneficial and fair manner, with the added benefit of bringing the full value of TMK to the rest of the world.

#### **5 ACKNOWLEDGEMENTS**

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# ***Strategy Variations in Roadside Outdoor Advertising: A Psycholinguistic Perspective of Czech, German and Bolivian Campaigns***

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## **ABSTRACT**

This paper explores the role of consumer perception of self within a social setting and how it shapes marketing communication and advertisement strategy formation. The study reflects on current trends of social advertisements by examining traffic safety related messages of outdoor advertisement practices. Utilizing an alternative cross-disciplinary approach, it adopts psycholinguistic analytical tools for interpreting marketing communication strategies with respect to the consumer behavioral patterns. Samples of roadside outdoor advertisements from both the commercial and non-commercial sectors were collected within three different countries – Czech Republic, Germany and Bolivia. Traffic related messages and their conversational functions were analyzed to demonstrate the variation of the communication strategies used. The concept of „face“ described by Brown & Levinson (1978) in their Politeness Theory, further developed by Ting-Toomey (1999) as the Conflict-Face-Negotiation Theory, was used for the interpretation of the advertising techniques. It is to argue that despite overt similarities of the message content and aim, significant differences in the utilization of strategies are adopted according to the type of the advertised subject, campaign objectives, related target market segments as well as the socio-cultural context. It is demonstrated that using an alternative approach to marketing communication can contribute to unfold a set of new techniques which can help to better understand the psychology of the consumer and develop relevant, customer targeted, modern advertising solutions.

## **1 CURRENT TRENDS IN ADVERTISING**

The development of free market and global business brings along an increasing public pressure for promoting democratic principles and empowering civic societies. This trend is easily notable in the current advertising practices. Originally pursuing a single goal – to help increase the profit of a business – current time advertising, stepping far beyond raising preference for a brand, has been saturating its messages with educating content (Kotler, 2007: 606). To improve company image, numerous social issues as human rights, health, inequality, environment or public safety, to name a few, no longer become the domain of the non-profit sector, but also an inseparable component of a modern business communication.

This paper focuses on outdoor advertisement. It builds on the fact that despite the prone to the “blasé” effect (Cronin, 2006) - a contemporary consumer attitude of inattention – outdoor advertisement is currently being of a greater importance to practitioners than printed or audiovisual media “due to its ability to reach consumers who are very mobile and exposed less frequently to traditional forms of media” (Francese, 2003: 911). The purpose of this study is to pursue strategies used in message formulations and their impact related to the advertising subject and its targeted audience. It bases upon Wilson & Till’s research showing that unlike magazines, newspapers and television (Tipps et al., 2006; Goldberg & Gorn, 1987), the effectiveness of outdoor advertising seems not to be influenced by where it is placed, but by

the degree of consumer engagement that the messages succeed to invoke (2011:925). Rather than the background environment then, it seems that what matters is how creatively the message is formulated as to draw the consumer in.

A detailed analysis of contemporary outdoor advertising is difficult to find, though. A few studies focus on space while emphasizing the resident location or identity (Burrows & Gane, 2006; Goss, 1995), esthetics or mobility of advertisement design (Cronin, 2008) or the effects on driver attention and safety (Young et al., 2009; Taylor, 1997; Taylor & Taylor, 1994). Missing is the insight into the psychology of the consumer and related analysis of communication strategies with respect to further factors, such as the type of the campaigning subject, its targeted audience and the chosen communication strategy itself.

This article works with a selection of samples from profit and non-profit subjects while distinguishing between three types of advertisement: commercial, non-commercial and hybrid. Commercial advertisement is translated as a profit oriented marketing communication act promoting products, services or events. It is pursued as an activity of most frequently, but not exclusively, commercial subjects. Non-commercial advertisement, originally associated with the non-profit sector, state institutions or professional non-profit business associations, is known under a variety of terms, such as "social" advertisement, "philanthropic" advertisement, "protest" advertisement or "other" advertisements (Kaderka 2006, Hajn 1998). A typical aim of this type of advertisement is "to stimulate donations, to persuade people to vote one way or another or to bring attention to social issues" (Bovée & Arens, 1992:662).

Advertisements and their objectives, however, often intersect; to draw a clear line between commercial and non-commercial content becomes practically impossible nowadays (Kaderka 2006:383). While non-profit organizations pursue direct or indirect commercial objectives and needs (Bovée & Arens 1992:666), for instance as fundraising practices, it is not unusual that modern, professional business subjects express an overt interest in issues of public affairs. Such advertising practices are defined as „transitional“ or „hybrid“ advertisement (Hajn, 2002). The hypothesis of this study builds on Hajn's (2002) definition of non-commercial advertisement. He defines it as a convincing process aimed toward influencing other forms of human behavior than those related to consumption or material values, by adopting the same methods and techniques of impact that are used in advertising goods and services (2002:258). This article claims that while commercial and non-commercial subjects currently pursue both profit and non-profit objectives in advertisement, they do not use the same methods and techniques as they still differ in the nature of their aims and motivations as well as their target market segment consumers differ in their perceptions and values.

## **2 COMMUNICATION STRATEGIES AND THE NOTION OF FACE**

This paper focuses on visual forms of roadside outdoor advertisement that communicate traffic-related messages. As static in nature, visual advertisement defines as an indirect, non-personal way of promoting products, services or ideas. Since verbal reactions to these forms are rather rare, they are traditionally treated as a one-way communication for reading and visual perception (Kaderka 2006:384). However, based on the general aim of advertising to invoke a reaction of a consumer that responds to the message the advert sends in various types of preferably desired behaviors, this study treats advertisement as a standard two-way communication process. To get an insight into the psychology of the consumer, a psycholinguistic approach based on face related theories is adopted for analysis.

Assuming a simple fact that "people in all cultures try to negotiate face in all communication situations" (Ting-Toomey, 2004:218), the notion of *face* or self-image as a universal phenomenon was originally described by Brown & Levinson (1978) in the Politeness Theory

further elaborated by Ting-Toomey (2004) into the Conflict Face Negotiation Theory. Both theories recognize positive (we-face) and negative (I-face) oriented sentiments. The positive face reflects how the participants see themselves as part of a social group based on their desire to be approved and included as a reliable, competent, intelligent, responsible or moral participant of the social interaction. The negative face, on the other hand, reflects the participants' natural desire for autonomy, that is, the right to protect their time, energy, space and property. The authors claim that all participants in the communication process, to a certain degree, employ both, their positive and negative face feelings at all times.

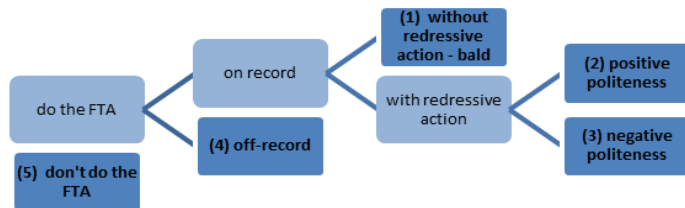
From the perspective of the face negotiation theory (Brown and Levinson, 1978; Ting-Toomey, 2014), each communication act is potentially face-threatening. By offering or non-offering, we interfere with the recipient's either *positive face* (e.g., people generally like to get offers) or *negative face* (e.g., people do not want unsolicited offers). Similarly, by criticizing, we violate the recipient's perception of either positive face (e.g., people do not like negative evaluations) or negative face (e.g., people tend not to like to change their behavioral patterns or habits). Likewise, we do and do not want to get invited, do and do not like to get advice, or do and do not want to get requests, all based on the immediate context.

To mitigate the impact of a potential face threatening act (FTA), communication strategies are used. According to Brown & Levinson (1978), one has a choice between fully direct non-mitigated messages, through those that, still being explicit, use various techniques to mitigate the impact, up to the very indirect ones, avoiding interference with the recipient's face (Figure 1). The first, most direct *on-record* messages are classified as bald *with no redressive action* (1) (Brown & Levinson 1978:99). These are constructed as a basic performance of the speech act with a minimum of language elements necessary for intelligibility of the encoded message. Verbs tend to be in the form of "directives" (Austin, 1962; Searle 1967), that is, in 2<sup>nd</sup> person singular or plural that guide, instruct, govern, direct (e.g., 'help me', 'slow down,' 'drive carefully,' etc.). In their simple form, they are void of face mitigating communication techniques, and thus, represent the heaviest imposition on the target's perception of face. On record, formulations tend to occur either in situations between subjects with very close relationships and a great knowledge of context, or in situations of unequal distribution of power as a tool to exercise this power based on personality traits or social, economic or political status.

Another *on-record* category is described as strategies *with redressive action* which are defined as positive or negative politeness. *Positive politeness* (2) fosters the addressee's perception of positive face through a variety of techniques, such as compliments, praising, in-group identity markers (e.g., we, let's, together) and the like. These either preface (e.g., 'it is a nice product, but I do not need it anymore') or are embedded (e.g., "we need to decide") into the formulation. Likewise, *negative politeness* (3) orients on minimizing imposition on the negative face by acknowledging the addressee's autonomy feelings. Techniques include conventional phrases, apologies, hedge words, conditionals, impersonal statements, etc. (e.g., 'it would be quite nice if you/someone could help me a little bit'). Both positive and negative techniques frequently use "assertives" (Austin, 1962; Searle 1967), verbs that state, claim or enunciate facts and beliefs by using other voices than 2<sup>nd</sup> person singular or plural linked to other contextual subjects (e.g., 'we are responsible', 'it is important', 'the guide said', etc.). Positive and negative politeness strategies express face respect, and can be widely traced in every day practices seeking positive outcome or mutual agreement.

Finally, at the other end of the directness scale are strategies categorized as *off-record* (4) (Grice, 1975; Brown & Levinson, 1978). These include messages with their meaning encoded into indirect formulations that, without a specific knowledge of social, cultural or other context or wit, become difficult to decode to the addressee or even unintelligible. These include various encoding techniques such as hints, metaphors, language quizzes, equivocations,

exaggerations, hyperboles, jokes, etc. (e.g., ‘early birds gets the worm’ mentioned by a boss in a reaction for a late arrival to work). Most verbs used in off-record formulations tend to be in the form of assertives, those that shift attention from the direct address. Off-record strategies are usually adopted as a face avoiding technique in situations with a perceived high risk of a potential addressee face loss and are also typical for practices with a positive end intention.



**Figure 1.** Possible strategies for doing FTA  
(Brown & Levinson, 1978:77) – degree of directness scale

This study shows that understanding the processes behind the consumers’ perceptions of self-image can contribute to understanding and development of current marketing practices as it yields valuable information about the psychology of the consumers within various market sectors and segments. The face oriented psycholinguistic approach analyzing marketing messages from the perspective of their potential impact on the consumers’ face sentiments or concerns, represents a unique methodological approach for differentiating, as well as projecting strategies between the commercial and non-commercial advertisement practices.

### 3 TRAFFIC RELATED MESSAGES: FORMS AND CHARACTERISTICS

People spend considerable amounts of time driving. Traffic brings along risks of accidents, therefore, traffic related messages addressing safety issues frequently appear within the public space. Actors of the traffic become targets of a wide range of convincing strategies of both commercial and non-commercial subjects. Roadsides, bridges, street illumination poles or public transportation stops are used for signs, billboards or posters communicating varied interests, aims and purposes. Frequently used forms of traffic related messages are warnings and reminders about possible risks or advice for a safer driving.

All forms of socially oriented messages, including the traffic related, pose a potential face threat to the recipient. As Banyte, Paskeviciute & Rutelione put it, such messages “cannot be used as a means to moralize”, and if done so, the threatening content “should be as delicate as possible so as not to evoke hostile, unwanted response from the audience”(2014:42). Seen through the lens of the politeness theory, warning, reminder and advice represent a potential positive as well as negative FTA to the recipients. They violate the addressees’ perception of self as being a safe, responsible, capable and skillful driver. In a transferred meaning, they imply that one may not be flawless. At the same time, by being warned, reminded or advised, the drivers are urged to adapt their behavior, that is, step out of their usual practices by slowing down, watching out, passing less frequently, or paying more attention, which however all mean to risk a late arrival, longer drive, missed or postponed activities (such as a telephone call), monotonous drive, etc. In sum, traffic related messages pose a positive face threat through their moralizing or lecturing character as well as a negative face threat by limiting driver autonomy through implied amendments to driving habits or behavior. When used in marketing communication, a suitable strategy needs to be adopted accordingly.



The objectives of traffic related messages vary. They can aim toward addressing a social issue, traffic safety in our case, by various non-commercial subjects, such as non-profit organizations or state. They can, however, be a public relation strategy adopted by a commercial body aiming toward gaining a customer favor. The following analysis demonstrates that based on the character and objective of the campaigning subject, as well as its targeted market segment characteristics, strategies aimed toward the recipient's face vary accordingly.

#### 4 THE SUBJECTS AND ANALYSIS

The analysis investigates the variation in strategies used in three types of advertisement - commercial and non-commercial and hybrid. Traffic-related messages used are varied samples of roadside billboards and bridge commercials collected from three different countries – Czech Republic, Germany and Bolivia. The campaigning subjects vary in their ownership status representing a business (CZ), state (GE) and a state-owned business (BO).

The first subject of analysis is the Kooperativa “Mosty” (Bridges) campaign, a part of an outdoor marketing series initiated in the Czech Republic in the fall of 2011 and continuing until today in several variations. Through moralizing messages on bridges of the frequented roads and highways, it prompts for a better driving behavior. Each bridge commercial contains a slogan and the Kooperativa logo behind the text (Figure 2). The text creation was executed through the Kaspen/Jung von Matt agency; after a year from its successful realization, the general public was invited into a competition for selected location adaptations (such as the bridge on Highway 1 at Prague Chodov and Anděl). A follow-up campaign Bridges in Press ran through printed and social media. 19 samples out of 55 collected slogans were used for the analysis.



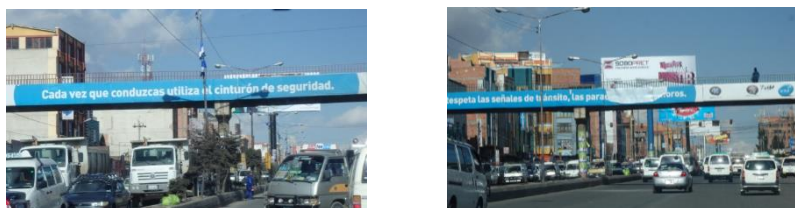
**Figure 2.** Samples of the Kooperativa “Bridges” campaign in the Czech Republic

The second set of samples is the “Runter vom Gas” (Throttle back) campaign realized through the German Ministry of Traffic (Bundesministerium für Verkehr, Bau und Stadtentwicklung (BMVBS) and the German Traffic Safety Council (Deutscher Verkehrssicherheitsrat (DVR)). The campaign was launched in 2008 as a long-term project aimed toward addressing a high occurrence of deadly accidents on roads in Germany. Around 800 billboards were distributed across the country. The present campaign consisting of three samples of roadside billboards from the 2013 and 2014 series run under the motto “Scheinbar schöne Welt” (Glamorously nice world). Each one of the three solutions contains a visual part showing happy carefree scenes of friends, families or partners which are contrasted with textual messages pointing to the imminent death reality (Figure 3). They are to remind of the high risk of potential accidents in order to promote traffic safety measures, special attention is aimed at young beginner drivers. Logos of the funding organizations are presented in the lower right corner of the billboards.



**Figure 3.** Samples of the German Ministry of Transport “Runter vom Gas” Kooperativa “Bridges” campaign

The third set of samples are two Entel company bridge commercials from the city of La Paz in Bolivia taken in the fall of 2014. Entel is the major Bolivian telecommunications company who has held a dominant position in the market with 100% coverage of the national territory since its nationalization in 2008. Since 2010, the company has been allocating high budget for various solidarity campaigns, traffic safety being one of the target issues. Each sample contains a textual traffic related message and the Entel company and its products logos (Figure 4).



**Figure 4.** Samples of the state-owned Entel company bridge commercials in Bolivia

The following analysis of the variation in advertising strategies of varied campaigns is grounded in the theoretical framework of “face”. The analyzing criteria is the degree of directness embedded in the verbal and visual message formulations: 1/ on-record without redressive action, 2/ on record with redressive action (positive or negative politeness) and 3/ off-record, including the identification of the face locus (positive or negative face oriented messages). The degree of directness is measured by the corresponding techniques used: 1/ bald formulations (on record – without redressive action), 2/ mitigated formulations using positive or negative politeness techniques (on record – with redressive action) or 3/ indirect face avoiding formulations (off record), all described above. To assess the degree of directness then, the shape of the verb, being either directives (typical for more direct formulations) or assertive (typical in more face-aware or face-avoiding formulations) is analyzed.

## 5 KOOPERATIVA BRIDGES CAMPAING: CZECH REPUBLIC

Most of the Kooperativa Bridges slogans across the Czech highways and speedways communicate a warning, reminder or advice. The first observable pattern in their formulations is the tendency to **avoid** language formulations containing *directives*. Rather, slogans adopting *assertives* can be observed, such as “D1 is here probably to get as little Praguers to Brno as possible” instead of saying “Drive carefully, highway D1 is dangerous”, “When cars appear in the left lane, you are not on the highway anymore” instead of instructing “Make sure you keep in the right lane”, or “Even the king of the roads can get a check mate” instead of saying “Beware, even you may end up in an accident”, to name a few.

Avoiding directives translates into a tendency to avoid the recipients’ negative face violation. And indeed, all the formulations seem to appeal on positive face sentiments predominantly as

they tend to apply strategies that claim a variety of in-group memberships, such as local community specifics. One such example is in the slogan "D1 is here probably to get as little Praguers to Brno as possible" placed on a bridge next the Chodov shopping center in the direction to Brno which draws upon the widespread general frustration with the dismal state of the D1 highway as well as popular jokes reflecting regional tensions between Brno and Prague. Another example is a slogan placed in one of the Prague neighborhoods Anděl ('Angel' in English) stating "Even in the Angel neighborhood, you may end up in hell". Similarly, the series "Tea – rum – crack" also links with the local consumers' traditional sentiment as it not only refers to a traditional child singsong, but also refers to an alcoholic drink (punch) traditionally consumed during cold winter days among the Czechs. The reference to traditional sentiments is accentuated by the fact that to understand all these messages, one needs to be cognizant of the local specifics and/or claim a certain degree of local identification.

Another positive politeness strategy in-group membership technique is the focus on various interest groups or professions. Slogans such as "On D1, even the king of the roads can get the checkmate" or "The pirates of the roads frequently wreck" as well as "Micro sleep usually has mega consequences" link the recipient with various specific interest identities, such as chess players, individuals enticed by pirate stories, technically oriented people, etc.

The avoidance of direct face violations is apparent from the tendency to go off record, that is, to adapt various indirect techniques. These are numerous adaptations of quizzes, metaphors, equivocations, jokes, proverbs, and the like. Among those are the sequences "D1 – km/h – BLB – ABS – ARO – JIP – RIP", or „140 – 150 – 160 – 158 – 155 – 150“. First, in the form of a quiz, they carry a pregnant positive face locus. To be decoded, they require a certain amount of knowledge and wit, but if not decoded at once, they still appear playful. Upon decoding, the consumer perception of self gets bolstered and entertained. Second, the end message leads to dissociate with the negative content referring to fatal consequences of irresponsible driving (e.g. dumb people end at the cemetery as in the sequence from BLB (a check equivalent of a dope), JIP (ICU - intensive care unit) to RIP (rest in peace), or fast drivers end in an ambulance car as in the rising sequence from 140 to 160 referring to a high speed and dropping subsequently through local emergency numbers 158 (police), 155 (fire department) to 150 (ambulance). Thus, these quizzes appeal on the consumer capability, reliability, moral face or other positive face sentiments at the same time.

Other off-record strategies include various humorous or joking slogans constructed as local adaptations on proverbs or language anagrams, such as "Out of sight, out of road", "Not using the safety belt is a dangerous game", "You will not frame your photo from a radar", "With slick (worn) tires, one can just slide", "God's radars grind slowly but surely", "Do not let your ego drive", "It is better to have a smile on your face at the destination than an airbag" or "It sucks to stick on someone's butt". By referring to the local proverbs, these samples carry an overt positive face in-group force.

The strategies identified in the samples above indicate the campaign objectives. The tendency to target positive face sentiments (social inclusion, competence, responsibility) through indirect techniques (hints, quizzes, language anagrams, etc.) seem to aim at gaining selected the recipient favor. In sum, the slogans resonate with those identifying themselves as smart (those who decode the quizzes), responsible (disassociating from being BLB, driving 160, being ego-centric, etc.), or as chess players, Praguers, Brno inhabitants, Anděl neighborhood residents, 'pirates', parents, traditional Czechs, etc. What's more, being placed in areas of the most frequented highways, they seem to address those who likely own a car or possess a job that provides a car and who commute within longer distances in the country. Therefore, rather than aspiring a widespread behavior change toward safer driving, the company communication strategies appear to seek affirmation of a selected market segment. In other words, the slogans

do not provoke but please and entertain. A pro-consumer, commercial motive is also evident from the campaign timing, as it is regularly released in the autumn months, a time when new contract drafting is launched (Flema Media Awards, 2013).

Similar conclusions can be drawn from professional as well as public reflections of the campaign. Within the professional evaluations, the campaign won prizes mainly for its 'creativity' rather than impact. Indeed, it received a Nutcracker award (Louskáček) in 2012, a traditional review of Czech creativity in advertising run by the Czech Art directors club and AKA, the Creative Copywriters Award (Zlaté pero) in 2013 as well as the best outdoor creating act in 2012 in stylistic and argumentation quality.

Its commercial objective was further confirmed by Flema Media Awards agency (2013) pointing out that the distinctive advertising style of the campaign helped Kooperativa become well recognized among drivers. According to this agency, the campaign built Kooperativa a clear differentiation within the market, since most of the respondents recognized the slogans and associated them with the company.

A generally positive acceptance of the slogans can be followed within public discourse. Although no formal data is available, prevailing positive reactions can be traced within social media. They indicate the positive face force and corroborate the amusing character and popularity (e.g., "funny – I like them", "I enjoy them", "Kooperativa is playful, it is a go", "this really is success"), confirm argumentative creativity (e.g., "we can see that advertisement can be creative as well as to the point", "philosophical, wise, fun" or "I like advertisements that have wit and transmit an interesting idea", "Kooperativa is creative and to the point, and thus, attacks the drivers' ego and pushes them to think about their behavior" or "amuses and maybe makes you think"), as well as revealing the social identity sentiments (e.g., "these [slogans] prove how creative we are in the Czech Republic as well as how targeted and honest advertisement can be"). In contrast, a lack of impact was mentioned in some of the reactions, e.g., "I admit some of the slogans are super, but why do we use bridges for advertisement only? Why do we not use them for teaching drivers how to behave in traffic jams, react to accidents or ambulance as they do in Austria?"

## **6 RUNTER VOM GAS CAMPAIGN: GERMANY**

The Runter von Gas campaign adopts a wider range of techniques. First, a combination of verbal and visual communication tools is used. The verbal part takes upon the form of warnings in a cause and effect format ("One drives aggressively, two die", "One pushes through, three die" and "One gets distracted, four die") to remind the traffic part-takers how close the risk of accidents with fatal consequences in case of irresponsible driving is. The direct reference to death embedded in the messages, a rather taboo and socially avoided topic in most of the western cultures, poses a strong imposition on a negative face of the recipients by triggering their emotions and comfort zone. Correspondingly, a redressive action taking the form of a negative politeness technique called impersonalization (Brown and Levinson, 1978:196) can be traced in the verbal formulations to mitigate the impact of the FTA. In particular, it is the implementation of the neutral, 3<sup>rd</sup> person singular through a milder "one rushes" and "two die" while avoiding the direct 2<sup>nd</sup> person "you" or imperatives, e.g., "if you rush, you kill two people," "slow down or you kill two people."

The textual messages contrast with the visual solutions. While the verbal part triggers the negative face sentiments and adopts negative politeness techniques, the visuals carry a strong positive face content. Depicting scenes with family and friends, in particular, two relaxed partners, or a family of three with a hero father, a partner and a baby child as well as a party of four happy friends, they all appeal on the positive face in-group identity emotions, e.g., love or

bond. The texts also accentuate the positive face locus of the pictures. Through the impersonalization, the messages create ambiguity about whom they are referring to, and thus, blur the responsibility among the depicted actors. And indeed, upon a closer examination of the images, it is never the driver alone depicted as responsible of the undesired behavior, but the whole party in the car – a lady with a pensive diverted look appearing indifferent to her partner's way of driving, a smiling mother giving her driving partner an admiring look as well as the other girlfriends' entertained face expressions. It is the sense of responsibility, reciprocity or care, further positive face sentiments that are embedded in the images.

Although most of the techniques described above represent an on-record communication with positive or negative politeness, redressive techniques, an indirect, off-record strategy can be identified, as well. As it is unlikely that every irresponsible drive could result in fatal accidents, the slogans represent a hyperbole not reflecting an accurate reality. By overstating, the message is losing its relevance, if taken from the linguistic point of view.

In sum, the Runter vom Gas campaign adopts multiple strategies in the form of on-record strategies with redressive negative and positive politeness action, as well as off-record indirect techniques avoiding direct FTAs which indicates that the campaigning subject is also exercising a high interest to build the relationship with the end consumer.

The range of the adopted strategies, including the negative face locus differentiate the German from the Czech campaign. While the Kooperativa messages adopt a careful positive face oriented communication clearly avoiding direct face attacks, the Runter vom Gas campaign seems to work toward a wider impact. Besides the positive face locus hidden in the visual solutions, the slogans carry direct negative face sentiment triggers that challenge the recipient's emotions and autonomy feelings. Both, the Czech and German campaigns work with a rather taboo notion of death, but one avoiding its direct implications for saving the recipients' negative face, whereas the other uses techniques to trigger the negative face sentiments. In other words, rather than to please or entertain, as seen in the Kooperativa samples, the Runter vom Gas messages seem to provoke toward an influence to reach a broader social coverage rather than a selected market segment.

The reactions of the professional and public scene, again, mirror the character of the strategies used. The Runter vom Gas campaign, while using a wider range of strategies than Kooperativa, including the negative face triggers, relatedly receives a more varied range of reactions. First, a year after its launch, the campaign received a number of awards appraising 'efficiency' such Golden Social Effie award in 2009 for efficiency and significance in the category of social projects. The accent on effect is also apparent from the main prize won at the International Festival For Road Safety Campaigns 2009 in Tunis or from the Silver Otto Car-Trophäe at the international Auto Vision Festival in Frankfurt in 2009. The statistical data collected by local public opinion research institutions (Institute für Demoskopie Allensbach, Bundesanstalt für Strassenwesen, Universität Mainz) confirm the efficiency value reporting that, in 2013, the number of deadly accidents in Germany decreased by 10%.

Varied public reactions to the campaign can be found corresponding to the wider range of strategies applied. According to a public opinion survey from 2013 (Instituts für Demoskopie Allensbach in Zusammenarbeit, Bundesanstalt für Straßenwesen, and the Institut für Publizistik der Universität Mainz), 92% of the respondents evaluated the billboards as one of the most important and influential contact medium. Over 70% knew the campaign and evaluated it as very valuable. 20% claimed that the campaign became a topic of their family and friend discussions. And finally, 71% believed that the campaign has led to more responsible driving ([runtervomgas.de](http://runtervomgas.de)).

The survey noted a number of critical reactions as well. Some of the recipients argued that the billboards' exaggerated and rather fictive reference to death did not reflect the reality, mislead

the drivers and even made them more unsure and afraid. Godeon Böss from the *Die Welt* journal described the placards as a „perverse Autobahn-Kunst“. Such reactions point out the somewhat emotionally intrusive, shocking character derived from the negative face locus.

## **7 ENTEL BRIDGE COMMERCIALS: BOLIVIA**

Seen from the perspective of the strategy use, the state owned Entel commercials in Bolivia stand in an overt contrast with the two campaigns above. To begin, both of the slogans “Use a safety belt every time you drive” and “Respect traffic signals, stops and traffic lights” show little implementation of face work techniques. To prompt the drivers to a desirable behavior, they adopt bare basic linguistic structures just necessary to convey the message. An off-record negative politeness technique classified as “conventional directness” (Brown and Levinson, 1978:137) can be considered as the slogans refer to the generally known driving rules. However, as every driver receiving a license is likely to be aware of the obligation to respect signs as well as to buckle up, the messages obviously carry no further added element. Therefore, their simple unambiguous content formulated with the use of directives (imperatives “respect”, “use” instead of “it is obligatory to use” or “it is obligatory to respect”) make these slogans raw, on-record formulations void of face work which positions the communication strategy at the very top of the directness scale (see Figure 1).

Compared to the Bridges or the Runter vom Gas campaigns, thus, the Entel solutions seem to lag behind from the perspective of both creativity, as well as efficiency. They do not provoke, as they do not entertain. This is further accentuated by the absence of accompanying visual forms which would be particularly suitable for Bolivia. According to the UNESCO set standards for illiteracy (unecso.org), Bolivia has been balancing at the edge of the 4 % illiteracy (3,8% in 2014). Based on this, it can be expected that some proportion of the traffic participants may not be able to read and visual guidance would be more than relevant, especially for the obligation to use the safety belt with passengers.

Although limited data is available for assessing efficiency, some justifications can be made on the basis of the socio-cultural or political context. Entel currently enjoys a state guaranteed position on the local market. Originally state owned, it was privatized in 1995 as a subsidiary of Telecom Italia, but nationalized again through a unilateral nationalization act in May 2008 by a decree issued by the government (BNamericas.com). Based on this, Entel has been enjoying a position of a confirmed political and economic power. This may substantiate for a lack of incentive to compete over the customers’ favor within a free trade environment.

The low effort of more creative and efficiency driven strategies, nonetheless, seems to be in contrast with the company's corporate acts. According to local reports (telecompaper.com, boliviasec.org), the company has been investing high amounts of money in various solidarity actions and campaigns since 2010. Although conclusive interpretations cannot be made, it is the international context that may shed some light on these controversies. As reported by the Telecom Italia Group in 2010, the owner of Entel between its privatization in 1995 and the nationalization in 2008, an international arbitration against the Bolivian State was launched in 2010 claiming reparation for the expropriation, to protect their foreign investment (telecomitalia.com). Based on these circumstances and a current political climate in the country being criticized internationally for some of their autocratic leadership practices, it seems that rather than the customer or trade oriented factors, a more complicated set of objectives, beyond the conception of this paper, project into the prospective campaign.

## 8 CONCLUSION

Three types of roadside advertisement series with seemingly identical objectives – to address traffic safety issues - were analyzed. Seen through the lens of psycholinguistic tools, the study unfolded significant differences in each of the presented campaigns depending on the subjects' commercial status, related target groups, objectives as well as wider context. Commercial advertisement strategies shown in the Kooperativa Bridges campaign unfolded an obvious tendency to avoid face threatening situations. They tend to utilize indirect off-record techniques with a positive face locus. Their center of marketing attention seems to be the customers and their favor which is being nurtured through a very careful, indirect, and playful communication aimed to satisfy the desire to be liked, entertained, praised or complimented. The targeted consumer seems to be not everyone, but a selected market segment, who is treated as rather frail in their face related sentiments.

Non-commercial advertisement illustrated in the case of the state Runter vom Gas campaign, on the other hand, adopts a wider scale of strategies with an evident audacity to be less face indirect. In its prevailing on-record approach, a positive face content embedded in the visuals accentuates the negative face locus of the textual part. A combination of positive and negative face mitigating techniques then, triggers the recipients' comfort zone and emotions which extends the impact at a wider range of recipients and respectively social coverage.

The state-owned Entel company samples accentuate the significance of the campaigning subject's legal status. From the perspective of communication strategies, their traffic oriented bridge commercials stand in a striking contrast to the two previous examples. A direct on-record approach with an absence of a face oriented redressive action indicates a low desire to gain consumers or affect their behavior. Enjoying a politically confirmed monopoly position on the market, thus, seems not to yield a need to fight over consumers, and from the perspective of advertising impact, poses a question of aim and effect.

## 9 DISCUSSION

It is also important to discuss the limitations of the study which, at the same time, may open topics for further investigation. To shed more light at the difference between commercial and non-commercial marketing communication practices, first and most significantly, more samples need to be analyzed. Beyond the visual outdoor communication techniques, campaigns run through varied channels and media, such as press, audio-visual or social media, each contributing with distinctive approaches and techniques.

Secondly, the interpretative value of the analysis may be impaired considering that the analyses were presented through English translations from languages representing three different language groups – Slavic, Germanic and Romance. The current study nonetheless, builds on the fact that all three languages come from the Indo-European group using comparable grammar structures. They all conjugate verbs in both singular and plural forms while distinguishing between gender (male, female, neutral). They all differentiate between directives and imperatives, as well as work with other forms of verb aspects (passive voice, modals and conditional, etc.). All of them also adopt techniques for indirect language such as hedge words (quite, like, rather, more, less, etc.), conventional phrases (please, thank you, sorry), use proverbs, metaphors, jokes, and the like. From this perspective, all three samples allow for a general face work strategy comparison, although less is known about the pragmatics and local variations. This opens space for a more profound research.

Thirdly, as the culture and national values certainly play a significant role, the current study adopts a global perspective. The world is interrelated through globally shared practices, the relationship between the Czech Republic and Germany in particular, has recurrently shared

past as well as modern history. Similarly, even the Bolivian practices, considering the global dimension of Entel's current history, allow for a global perspective. Nonetheless, socio-cultural practices vary locally and, undoubtedly, are a potential for a deeper analysis.

Finally, the limitations of the politeness theory need to be mentioned. Originally, the notion of face was long accounted for being a "universal" phenomenon, that is, a definite variable which can help predict the recipients' perceptions and their prospective reactions in planning their speech across "quite unrelated languages" (Brown & Levinson, 1987:55). Its universality, however, has been disputed in later studies. Some scholars (Goldsmith, 2006) claim that other variables such as personal, geographic, religious or contextual impair the cross-cultural validity of the theory. Other studies (Dunn, 2011), in contrast, demonstrate a practical value of the theory for developing general communication skills of individuals across cultures. This view promotes a rather psychological than culturally derived value of the face theory.

The similar applies to the practical use of the theory for marketers from both commercial and non-commercial sectors when they strive to communicate their needs and desires within the public space. Understanding the psychological processes that guide the consumer perceptions of self, the psycholinguistic perspective can not only contribute to analysis, but also enhance efficiency if incorporated into the efforts toward a marketing communication strategy creation.

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## APPENDIX: TRAFFIC-RELATED MESSAGE IN THEIR ORIGINAL LANGUAGES

### (1) Kooperativa Bridges – Czech

- Účelem D1 zřejmě je, aby se do Brna dostalo co nejméně Pražáků
- Když v levém pruhu jezdí auta, už nejste na dálnici
- I král silnic může dostat mat
- Účelem D1 zřejmě je, aby se do Brna dostalo co nejméně Pražáků
- Také na Andělu můžete skončit v pekle
- Čaj – rum – bum!
- I král silnic může na D1 dostat mat
- Piráti silnic často ztroskotají
- Mikrospánek mívá meganásledky
- D1 – km/h – BLB – ABS – ARO – JIP – RIP
- 140 – 150 – 160 – 158 – 155 – 150
- Sejde z očí, sjede z cesty
- Nezapnutý pás, nebezpečný špás
- Fotku z radaru si za rámeček nedáte)
- Se sjetými pneumatikami se můžete akorát klouzat
- Boží radary melou pomalu ale jistě
- Své ego za volant nepouštějte
- Je lepší mít po skončení jízdy na tváři úsměv než airbag
- Lepit se někomu na zadek smrdí.

### (2) Runter vom Gas – German

- Einer rast, zwei sterben
- Einer ist abgelenkt, vier sterben
- Einer drängelt, drei sterben

### (3) Entel bridge commercials - Spanish

- Cada vez que conduzcas utiliza el cinturón de seguridad.
- Respeta las señales de tránsito, las paradas y los semáforos.

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# ***Governance of International Distributors Through Incentive Travel Programmes: Insights from Manufacturing Enterprises***

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## **ABSTRACT**

Distributors are important export channels for internationally active small and medium sized manufacturers. Effective governance of these channel members is crucial for the manufacturers' sales and marketing success. Unilateral incentive schemes represent one mechanism to govern distributors. The variety of incentives is noticeable, among them, incentive travel programmes are one possible instrument for sales managers to steer and motivate their sales partners. This paper examines how incentive travel initiatives can be designed in international business and provides an insight into their application by manufacturing companies.

Based upon a literature review a schema for organizing the variety of incentives is developed and at that point travel incentives are classified within this taxonomy. Then, general design possibilities for incentive travel programmes are discussed. A qualitative study conducted within 5 manufacturing enterprises highlights how the design is used by Austrian manufacturers. The results suggest that the investigated companies rather use a bilateral governance approach when applying incentive travel programmes in order to strengthen the relationship with the distributors in the long term and not primarily to motivate them in the short run. This contradicts the common classification of incentive travel in the literature and questions the common practice of artificially separating governance mechanisms and their (unilateral or bilateral) characteristics without taking business reality into account.

Finally, the study provides some insights about country and culturally specific aspects which ought to be considered when designing an incentive travel programme. The paper concludes that especially the specific nature of different countries opens a wide range of opportunities for further research in the area of channel governance through incentive travel.

## **1 INTRODUCTION**

In distribution policy numerous companies tend to outsource specific functions and activities to external channel members and ensure a long-term commitment to the established business relationship (Kotler et al. 2008, 881). The governance of channel intermediaries therefore, belongs to the important strategic tasks of marketing and sales departments (Mehta, Dubinsky, and Anderson 2002). Mechanisms for controlling channel members are therefore, intensively discussed in academic research (e.g. Luo et al. 2011). Control mechanisms for downward or upward channel partners, i.e. for suppliers or distributors, are classified from different viewpoints and thus given broader meanings (Zhuang and Zhang 2011). However, the various governance mechanisms do not have direct real-world equivalents (Heide 1994). Hence, sales and marketing managers are required to manifest them through specific instruments or programmes - like incentives (Gilliland und Bello 2001). Incentive travel programmes represent one possibility to influence distributors to sell more products and motivate the business partner

(Severt 2013). However, incentive travel schemes are merely used for organizations' own sales force in (Jeffrey, Dickinson, and Einarsson 2013) and rarely discussed in European literature.

## 2 LITERATURE REVIEW

The channel governance concept is prominently discussed in several diverse research logics, including behavioral research (e.g. Coughlan et al. 2006, 196), economics (e.g. Grewal et al. 2013), relational contracting (e.g. Zhou et al. 2015), and organization theory (e.g. Joshi 2009). Hereby, the term channel governance refers to the ways exchange is coordinated and the processes and mechanisms in place to manage business relationships in order to finally reach one's own and common goals (Homburg et al. 2009). Among these mechanisms the study of Heide (1994) is one of the most discussed in the literature. He distinguishes between two forms of control based upon the dominance of one business partner: unilateral and bilateral. Unilateral governance, a form which is based on authority, means that one party establishes mainly formal rules that control the business relationship (Gilliland, Bello, and Gundlach 2010). The emphasis of this governance mechanism is put on the information aspect of performance (Nevin 1995) and is manifested in two forms: First output control, which contains the examination of distributor performance against ex-ante defined targets, and second, process or behavior control, which involves steering distributor behavior through information and recommendations (Grewal et al. 2013).

In contrast, bilateral governance which is equivalent to normative, social or relational governance (Weitz und Jap 1995) is founded on shared understandings and mutual trust. Thereby, the operating parameters of the business relationship are guided through social ties (Gilliland, Bello, and Gundlach 2010) and the assumption that the distributor will himself set actions leading to positive outcomes for the supplier (Huang, Cheng, and Tseng 2014). Participation and flexibility are typical characteristics of bilateral governance mechanisms (Luo et al. 2011).

However, these governance mechanisms can also be used at the same time in a complementary way which may have a positive impact on the cooperation between the partners (Cannon, Achrol, and Gundlach 2000).

Gilliland (2003) categorizes incentive travel as a form of unilateral control in order to influence a distributor's outcome through instrumental rewards. He further admits that monitoring is unnecessary as the results (e.g. sales) are achieved or not. Severt (2013) defines channel incentive travel programmes as travel provided to owners or employees of the channel partner with the aim to motivate them to improve their performance. However, a systematic screening of the abstracts of the peer-reviewed marketing literature with the key words "*incentive*", "*distribution or indirect channel or supplier*" and "*governance or control*" (combined with Boolean connectors) for the period of 2000 to January 2016 resulted in only 7 articles which do not distinctly treat this specific form of incentives. The basis for this literature review was the ranking of the VHB-JOURQAL, a high quality classification of publications (Clermont and Schmitz 2008). Thus, it can be pointed out that researchers have not distinctly discussed incentive travel programmes as an instrument for governing distributors in much detail.

## 3 PURPOSE AND AIM OF RESEARCH

Studies about incentive travel programmes rarely focus exclusively on this specific type but rather subsume them under unilateral monetary or economic incentives. Incentives are also strongly criticized for crowding out intrinsic motivation, putting employees under pressure and for their ceiling effects (Achtziger et al. 2014). Other researchers simply consider them as a motivational manifestation of formal control mechanisms (Dong, Tse, and Hung 2010) or as an

important element – next to monitoring and enforcement – of the distributor control process (Gilliland, Bello, and Gundlach 2010). Despite this, investigations in the hospitality research stream indicate that incentive travel can also be differently understood depending on the design of this instrument (Fenich et al. 2015) and its usage in different cultures (Gunkel 2006, 38).

Therefore, this study first investigates the elementary design facets of incentive travel programmes and the derived governance character. Moreover, the study aims at working out the importance of cultural aspects that have to be considered when designing and implementing incentive travel programmes. Thus, this paper aims at adding insight into this specific distributor governance instrument by referring to the two research questions:

- 1) How can incentive travel programmes be designed to achieve different effect mechanisms of governance?
- 2) Which country or culturally specific aspects should be considered when designing and implementing incentive travel programmes?

## **4 METHODOLOGY**

In this study the use of a qualitative approach seemed to be the most appropriate method to adopt for this explorative-descriptive investigation. Therefore, expert interviews were conducted due to their insightful character for the qualitative inquiry (Patton 2002). This method enables an exploration of a broad and in-depth expertise from various perspectives of different organizations in different sectors with respect to the subject area of governing distributors. Bogner et al. (2004, p.7) emphasize that experts can provide insider knowledge through their key positions and gathered expertise. Thus, five experts were selected and interviewed about their experience and use of incentive travel programmes. Additionally, managers of a further eight companies which deliberately do not use incentive travel were interviewed as well to get insights about possible obstacles. The experts were chosen from different managerial positions to get a broader perspective about the topic, i.e., managing directors, heads of marketing and heads of sales. All companies investigated are Austrian, mainly family owned and small or medium-sized. As 99,6% of all Austrian companies are micro, small or medium-sized and employ around 67% of Austrian employees (Statistik Austria 2015) the non-probabilistic SME-sample was chosen accordingly. The investigated companies operate in the manufacturing sector mainly in engineering, sell their products through international distributors and are well experienced in incentive travel programmes.

The data was collected mainly through face-to-face interviews, only one interview was conducted via phone – all in the period from April to May 2011. The semi-structured interviews aimed at a focus on richness rather than volume of the information provided and allowed performance of deeper analysis regarding the informants' opinions. The questionnaires included open-ended or causal questions to get essay-format answers. To capture the richness of answers all interviews were conducted in the mother tongue.

## **5 FINDINGS ABOUT THE DESIGN OF INCENTIVE TRAVELS**

Severt (2013) points out that the design of incentive travel programmes is one of the main factors for success if used as a governance instrument. The design of incentive travel programmes finally determines which effect mechanism of governance is achieved. Thereby, the following design aspects are fundamental: (1) target audience within the distributorship, (2) format of the programme and performance measurement, (3) reward composition, (4) involvement of and communication to the distributor and (5) post-execution actions (Jeffrey 2014; Fenich et al. 2015; Jeffrey, Dickinson, and Einarsson 2013).

### **5.1 Target audience within the distributorship**

The management and the sales force of the distributor are extraordinarily decisive players for the success of a manufacturer (Hughes, and Ahearne 2010). Additionally, it is crucial to decide whether a team or an individual person will receive the travel reward. Studies conducted in the US about incentives used for companies' own employees indicate a strong use of predominantly group based incentive travel programmes for their own, sales force (Jeffrey, Dickinson, and Einarsson 2013).

The interviewed informants also report focusing on the sales force of the distributors because of their direct contact to the end customers and because a reward for the distributors' manager does not lead to the desired objective. However, some respondents also indicate the additional use for the sales partner's managers because of easier administration and no unpleasant interference in the distributors' business. Rewarding individuals (and not teams) proves to be advantageous due to being less expensive and facilitating the measurement of performance (Dacin, Ford, and Murphy 2004). Most informants opt for this form but include different winning levels for heterogeneous sales force groups to provide greater fairness.

### **5.2 Format of the incentive travel programme and performance measurement**

In the literature, the competitive format for incentive travel programmes in the form of a sales contest is most frequently discussed with the argument that this format motivates sales people to achieve higher levels of performance (Severt 2013). The second format is an implementation within a recognition programme and awards the prizes without any ex-ante competition (Dacin, Ford, and Murphy 2004). The companies investigated prefer the competitive format. Still they aim to provide a fair framework involving the individual distributor and mutually agreeing on target setting or offering adapted winning categories.

In the examined enterprises the performance of the distributor is then measured with economic parameters (i.e. output) as well as with behavior-based metrics. The arguments for using behavioral measurements are the wish to take into account the heterogeneity of the participants and the bigger impact on the fulfillment of the goals in the long-run. This indicates that the companies investigated do not merely focus on short-term results but view this instrument as a means for reaching long-term targets.

### **5.3 Reward composition**

In general, enterprises have edged away from a one-size-fits-all tactic toward a more customizable approach for composing the reward itself (Fenich et al. 2015). However, it has become commonplace that the reward, i.e., the travel, must be of extraordinary character for the target group (Severt 2013). Therefore, the travel should not only be feasible for possible participants – like date, practicality or security considerations – (Fenich et al. 2015) but also attractive which is a result of the travel destination itself and the composed programme, such as “action”, “luxury” or “work related” activities (Fisher 2005, 140; Kovalesky 2006). A common view amongst interviewees is that the destination and theme are dependent on multiple factors such as nationality, personality or type of industry. Therefore, the informants also apply a more customized approach. Nevertheless, it is notable that the companies combine travelling with some work related aspects (like visiting a fair or conference) and mainly travel in groups accompanied by their own sales manager or sales persons in order to enhance commitment and provide a common positive experience. Despite this, some informants point out that they also use individual (unattended) travel where the winners can take along a second person (e.g. partner). In this design the strengthening of the relationship or commitment is not their focus.

## **5.4 Involvement and communication to the distributor**

The announcement of the travel incentive plays a crucial role in its success too. This concerns the internal communication within one's own company and in particular to the distributor, mainly the managing director of the sales partner (Fisher 2005, 14). The empirical investigation indicates that a bilateral approach is merely used for distributors. In all cases, the informants report that they do not officially announce the incentive travel but rather communicate it in the form of personal invitations appealing to (common) values of the distributor's manager (like his/her honour). Some companies even mention deciding together with the sales partners' manager about the programme in order to focus on the relationship aspects and not to put any pressure on participants. Others actively involve the travel participants in the decision-making process about specific activities. Only if the design of the incentive travel is in a competitive format the communication to the distributors' manager is not seen important. However, this has only been mentioned by a minority of informants.

## **5.5 Post-execution actions**

Compared to cash awards, incentive travel programmes can be more meaningful, motivational, and memorable (Fenich et al. 2015). They can strengthen the relationship of the distributor with the supplier if tangible artifacts of the travel, such as souvenirs, videos, post-event homepage tags or photos, are provided (Jeffrey 2014). Physical reminders can support the feeling of appreciation and may lead to positive word-of-mouth among colleagues or other distributors without giving the impression of bragging (Jeffrey 2014). Interestingly, issues related to post-travel actions are not particularly prominent in the interview data. Physical artifacts are not collected at all by the interviewed firms and feedback about the event is only collected in rare cases. A probable explanation for the lack of this important success factor is a likely absence of professionalism within the companies as incentive travel programmes are scarcely widespread or intensively used. The fact that no enterprise uses the help of incentive travel agencies, and the statements about lack of time, administrative challenges and complicated regulations they need to meet, might be further indicators to this possible lack of professionalism in using incentive travel programmes.

## **5.6 Incentive travels as a mean of bilateral governance**

In summary, the previously discussed results show that nearly all enterprises use incentive travel programmes as an instrument for strengthening the relationship with the distributors. When asked about the purpose of this tool nearly all informants argue that they are utilized to build up commitment and relationship – especially with the distributors' sales force – through personal interactions in a relaxed and informal surrounding and to intensify the personal contact during the journey. This further helps them to gather information about market trends and finally establishes trust. An increase in sales is just seen as a positive side effect rather than the primary goal! The active involvement of the distributor in the programme design underlines the importance of the relationship aspects. Although a few writers have pointed out the opportunities for collaboration and team building through incentive travel (Fenich et al. 2015), the common tenor in the literature is different in that there is more emphasis on the motivational aspects. Incentive travel initiatives are recognized as a mean to increase (short-term) motivation through a reward (Gilliland and Bello 2001). Indeed, the companies examined which do not use incentive travel programmes at all argue exactly from this perspective. These informants see incentive travel mainly as a tool to increase motivation in the short run and not for improving the relationship or intensifying the personal contact. Hence, they recognize this

instrument as being more appropriate for other industries, such as the insurance sector and not their own.

However, taking together the findings of all interviews, the results suggest that it is more a question of HOW incentive travel programmes are designed and used and not about their motivational character. This study has shown that travel incentives programmes, as unilateral governance instruments, can be designed in a participative, relationship strengthening way, with strong bilateral governance characteristics. Therefore, the discussion about governance mechanisms and their (unilateral or bilateral) characteristics probably fails to take business reality into account by artificially separating these mechanisms.

## **6 FINDINGS ABOUT THE COUNTRY OR CULTURE SPECIFIC ASPECTS OF INCENTIVE TRAVEL PROGRAMMES**

Gunkel (2006, 27) highlights that incentives are strongly dependent on culture. Therefore, when designing an incentive travel programme for distributors suppliers have to also take into consideration the country or culture the incentive is dedicated to. All informants emphasise the importance of culturally specific influences. They especially point out the influence of culture on the target audience within the distributorship and the format of the programme, the reward composition and the involvement of the distributor. They have exemplarily experienced that Indians love to do everything in big groups, whereas competitive formats with a stress on prestige are particularly successful in the US and in Eastern European countries. This is also in accordance with Gunkel's findings (2006, 38) that in former socialist systems egalitarian rewards are stressed. Moreover, the respondents highlight that religious holidays (e.g. Easter, month of Ramadan, etc.) have to be considered when composing a feasible travel programme. Additionally, one respondent states that distributors from Arabic countries are often not attracted by fun-themes. However, most information has been provided about the travel destination although there is no common thread through all interviews. The only result which nearly all informants support, is that people are attracted by complementary, sometimes difficult to visit destinations (e.g. for visa purposes or cost or time reasons). Turning to the findings of Gunkel (2006) about the target audience within the distributor and the involvement of the distributor – such as in frequently disrupted political systems, group based incentive systems are demanded and isolated geographic locations rather emphasise social interaction – no confirmation nor rejection can be identified through this study. Issues related to Lee and Usunier's research (2009, 435) that team winning formats are preferred in collectivist countries are also not prominent in the interview data. Therefore, it can be summarized that additional research could be beneficial for an understanding of culture-compatible designs of incentive travel programmes for distributors.

## **7 LIMITATIONS AND FURTHER RESEARCH**

In this study there are several sources of uncertainty to take into consideration which are stated and explained below.

Firstly, it has to be clearly pointed out that the findings from the qualitative research are not representative of a population. According to Brymann (2012) instead, the results of qualitative studies are to generalize the theory rather than the populations. It is the quality of the theoretical conclusions made out of qualitative data that is essential to the evaluation of the generalization. Therefore, the interpretation and application of the findings have to be judged in the light of limited generalization of this research.

Secondly, it needs to be reflected that the sample size of informants is rather small, although the careful selection of the investigated cases endorses the usefulness of the findings to a



certain extent. Hence, further data collection is required to cover the distinctive designs and the various national specific characteristics and to contribute to the knowledge in the field of distributors' governance through incentive travel programmes.

Thirdly, one has to consider, that the translation from German to English bears the risk of misinterpretations of meanings or mistranslations.

Finally, it has to be pointed out that the topic of incentive travel programmes is particularly limited in Europe. Nonetheless, or precisely because of this lack and the positive experience of some companies in motivating Eastern European people through monetary incentives (Stadlmann and Almhofer 2014) this research could be extended to other geographic and business areas in order to support enterprises with insights about the possible – so far rather unused – tool of incentive travel programmes for governing distributors.

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# ***Influence of the Globalization on Doing Business in Slovakia***

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## **ABSTRACT**

One of the most important changes in current business environment is globalization, internalization of the business and work environment. In Slovakia arise small and medium companies, arise the opportunity for development of family businesses. Consequence of globalization is formation of a multicultural work environment, opportunities for Slovak managers to verify their competences outside their native land. The aim of this article is to highlight the changes in the business environment in Slovakia, to highlight the changes in the requirements on the managerial competences. Small and medium-sized enterprises (SMEs) are the backbone of Slovak's economy, they represent 99% of all businesses in the Slovak republic. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU.

## **1 INTRODUCTION**

Globalization is associated with diversity in work environment, free work labour flow, new technologies, strong worldwide competition, constantly changing customer demands, etc. Slovak business environment is shaped by these factors, as well. This situation requires not only new organizational structures and competitive strategies, but also new approach towards the line employees. The new approach would motivate them to overachieve results and lead consistent employee development within technical and interpersonal skills. Traditional approaches based predominantly on autocratic methods (centralized company activities) becomes a development stopper for an organization, as well as its employees. The process of globalization involves mutual linkage of organizations as for interdisciplinary knowledge. New priorities appear, which consist of an effective personnel structure development. Managers and their skills, not only in the specialty area, are becoming key to the organizations. Their efficiency, as many scholarly papers claim, is based on capabilities to lead subordinates efficiently, both in homogenous, as well as culturally diverse work environment.

Small and medium-sized enterprises (SMEs) represent 90% of all businesses in the EU. (Hinterhuber, Hans H., 2004) The definition of an SME is important for access to finance and EU support programmes targeted specifically at these enterprises. (Mugler, J., 1998) Small and medium-sized enterprises (SMEs) are defined in the EU recommendation 2003/361. The Commission regularly monitors the implementation of the SME definition.

The main factors determining whether an enterprise is an SME are:

- Staff headcount.
- Either turnover or balance sheet total.

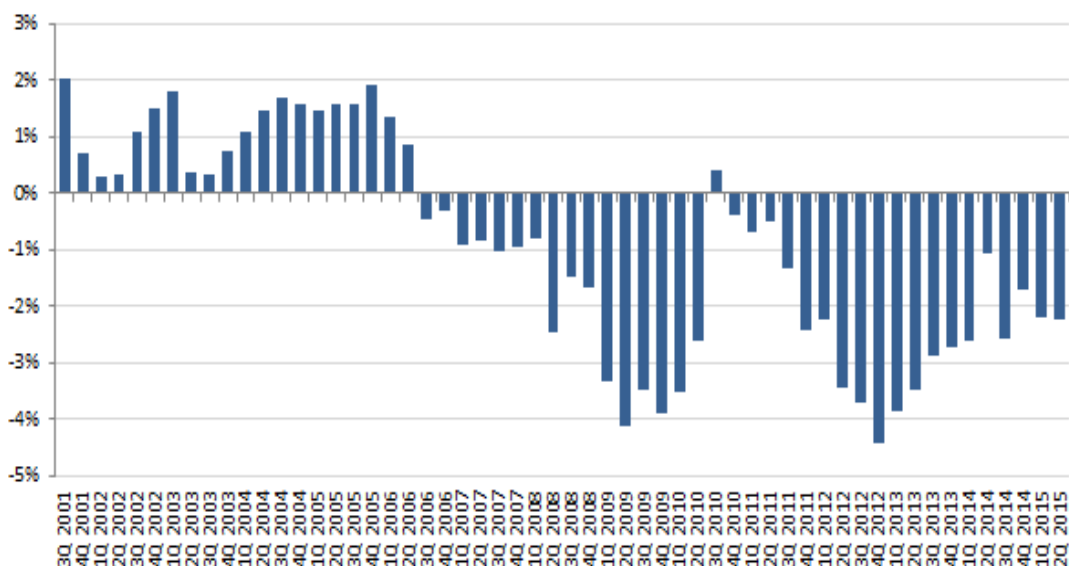
The SME Performance Review is one of the main tools the European Commission uses to monitor and assess countries' progress in implementing the Small Business Act (SBA) on a yearly basis. (Treľová, S. and Peráček, T., 2015) With an emphasis on the measures from the SBA Action Plan, the review brings comprehensive information on the performance of SMEs

in EU countries and nine other partner countries. It consists of two parts: an annual report on European SMEs and SBA country fact sheets. (ec.europa.eu)

## 2 GLOBALIZATION AND BUSINESS ENVIRONMENT

Based on scholarly research (Strážovská, L. et al., 2014) for an effective management in a global environment and high personnel productivity achievement in an international organization, it is essential to focus on the abilities of managers, who motivate their subordinates towards their accomplishments.

As G. Johnson (2012) states, the government, counties, as well as communities must build adequate conditions for entrepreneurial subjects, as well as the entrepreneurial processes. In global ranking, Slovak business environment has placed above average. However, at the same time, it does not belong to the global nor European frontrunners. Our long-lasting weaknesses are investment security, bureaucracy and corruption. On the other hand, exceeding placement was earned by several actions, such as real estate registration or bankruptcy resolution. For instance, according to the “Doing Business” rating, Slovak business environment has placed 49<sup>th</sup> among 189 countries. It would be beneficial to simplify administration – simplify and reduce amount of actions and mass of paper work for entrepreneurship, tax payment and legislation fulfilment, as well as get a more stable legislative environment and lower tax. (Strážovská, H. et al., 2016)



**Figure 1.** An index of business environment (quarterly changes in %)

Quelle. SME Performance Review (2016) Available at: [http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm)

The most important factors, which may be called as actions of the worldwide environment influencing business internationally are:

- Globalization.
- Intellectualisation.

- Acceleration.
- Flexibility.
- Humanisation.
- Intensification.
- Ecologisation.

Globalization becomes evident in mutual business processes bonding, where national and continental boundaries disappear. (Strážovská, H. et al., 2016) Because of globalization, the international distribution of labour expands in various areas – research and development, manufacturing and services, commerce, etc. Globalization can create conditions for plant generation, optimal source allocation for manufacture, effective usage of manufacture factors, new transnational business formation, mostly for the purposes of procurement and trades.

The process of globalization has also opened new possibilities for numerous managers to operate in multinational organizations at their domestic, as well as multinational work environments. Typical feature of these organizations is a multicultural work environment.

Intellectualisation is characterized by growing business significance related to original work. Developed nations become focused on structural changes in benefit of tertiary and quaternary sector, as well as on research and scientific activities export, such as software and project services beyond the national borders. (Treľová, S. and Peráček, T., 2015)

Acceleration represents a process of speeding up the business progressions in scientific and technical development. The results of tech development and its practical application become visible in production, trade, transport, education, increased productivity, etc.

Flexibility represents the need for high adaptability to fluctuating market conditions. It originates in fast shifting customer demands. (Mugler, J., 1998)

Humanization exhibits in overcoming existing work organization methods, where operational specialization is preferred. Comprehensive qualification is favoured – a comprehensive personnel development with a focus on creativity, innovation, and effective multicultural existence.

Intensification represents an aspiration to efficiently judge available sources: human resources, material, machinery, devices, buildings, and financial accounts.

Ecologization is a global tendency, which reflects an endeavour to preserve and improve environment. It leads to the support of business activities to meet the high ecological criteria preferred over economical ones. At the same time, with the environment development, there is focus on business ethics. Organizations in Slovakia more and more not only create the ethical codex, but also transform the principles into action. The focus stays in ethical leadership and ethical decision making of managers among all managerial levels. (Remišová, A. et al., 2015)

### **3 INFLUENCE OF THE GLOBALIZATION ON SME BUSINESS IN SLOVAK REPUBLIC**

The formation of small and medium enterprises and family business fundamentals has become a part of the business environment transformation in Slovakia. According to Strážovská, H. et al. (2015), Slovak Republic, where the process of integration successfully creates conditions for entrepreneurship and entrepreneurial subjects, has become more integrated in global economy.

A research, conducted in 2014 (Strážovská, L. et al., 2014), has brought interesting and current results regarding the globalization influence on business in Slovakia. In the year 2014 research on a sample of 1000 respondents took place – these were small and middle-sized businesses.

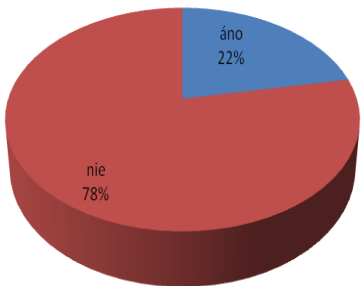
The questionnaires were sent by students in different regions. Thus questionnaires were sent to respondents in different regions. The return of questionnaires was about 67 %, i.e. 675 were returned.

There were 55 questions with optional 5 secondary questions and replies in the questionnaire. The research task was approached according to chosen 8 basic areas which were further elaborated into individual questions. For the purpose of this paper, we have chosen two particular survey questions, which associate with international presence organization and international ownership. The purpose of this research was to reveal a current business environment status in Slovakia. The results show, that the process of globalization has taken place also in Slovakia, as well as that there are enterprises with an international ownership. (Strážovská, Ľ. et al., 2014) One of the research questions covered whether the organisation has an international presence or has partial international ownership. The results are shown in Table 1:

**Table 1.** An organisation with an international presence or international ownership

An organisation with international presence	Number of respondents
Yes	149
No	526
<b>Total</b>	<b>675</b>

Quelle: Strážovská, Ľ. et al. (2014), Research of small and medium enterprises in Slovakia. Bratislava: FM UK.



**Figure 2.** An organisation with an international presence or international ownership

The question was answered by 675 subjects, of which 22% represents an organization with an international presence. The most entities, such as these, are located in Bratislava County. Being most industrial, Bratislava County provides the most opportunities for business and employment offering. In other counties, organizations with an international presence are equally distributed. (Strážovská, Ľ., 2014)

Table 2 presents the results about an international ownership of the subject. We can see the interest to do business in Slovakia from a view of an international person.

Survey shows that 79.18% of respondents stated, that an international participant does not hold an ownership. Second largest group is formed by organizations, where an international participant owns more than 90% (95 respondents) = 13.82% respondents. Third group is

formed by organizations, where an international owner holds 50-60%. This is less than 2% of respondents. Other values were neglected. (Strážovská, Ľ., 2014)

**Table 2.** Quantify, what ownership ration an international participant has:

An organisation with an international ownership	Total
0%	544
0,1%-10%	4
10,01%-20%	2
20,01%-30%	2
30,01%-40%	8
40,01%-50%	7
50,01%-60%	10
60,01%-70%	5
70,01%-80%	5
80,01%-90%	5
90,01%-100%	95
Total	687

Quelle: Strážovská, Ľ. et al. (2014), Research of small and medium enterprises in Slovakia. Bratislava: FM UK

#### 4 NEW MANAGERIAL COMPETENCIES IN THE GLOBAL ORGANIZATIONAL ENVIRONMENT

Globalization of the business is closely related to increasing frequency of international interaction of managers and employees, closer teamwork and a need of new form of international collaboration. It increases demand for international management, managers with international competences and effective leadership abilities in multicultural work condition.

Intercultural interaction of managers and teams is not always satisfying. Advantage of joint organization and multicultural teams, possible synergy effect of the wide spectrum of people's knowledge, experiences and views is not exploited by the managers enough. The reason why managers are not able to take advantage of those synergies is due to their un-readiness to interact and to lead people from cultural diverse work environment. The appropriate leadings skills and personality traits are missing.

A solution for getting through these obstacles effectively and achieving that employees in multicultural work environment will perform above the standards is based in understanding how cultural specifics influence interpersonal interactions.

The success of organizations will depend on the success of their managers; the success of managers will depend on the success of the people around them and on the ability of the managers to utilize their potential. Traditional hierarchical models of organizations have required predominantly technical, strongly specific knowledge and skills of managers at different levels of management. The managerial roles have been vertically differentiated, their goal being formulation of strategies, giving orders, and controlling resources. The organizations of a new type require managers to demonstrate new characteristics, abilities and skills. This means that new abilities and skills, mainly in the area of leadership, require new way of thinking, new attitude towards self-development, work, as well as towards other people.

There are some personal characteristics which allow people to adapt better and which also help them get through the difficulties in cross cultural interaction. Among such characteristics, worth to further development by managers, belong (Schneider, S. and Barsoux, J. L., 2003):

- Interpersonal skills - ability to create positive relationships and working atmosphere.

- Languages abilities.
- Motivation.
- Tolerance toward ambiguity.
- Flexibility.
- Patience and respect.
- Cultural empathy.
- Sense of humour.

CH. M. Solomon and M. S. Schell (2009) research results suggest that foundation for effective global manager in global environment is based on these personal attributes:

- Goal oriented tenacity – to be able to achieve the goals also in the high stressed intercultural environment when difficulties occur.
- Managing complexity - an effective global manager necessity of the specific knowledge, skills, abilities to achieve their goals in global environment, where responsibility is more complex and decision making is more challenging.
- Cultural sensitivity – open-minded approach is needed toward the attitudes and behavior of people from different culture. Such approach enables to form better social alliances and to manage cross-cultural conflicts. It is the most critical personality attribute related to a successful global manager.
- Emotional resilience - emotional stability is a universal adaptive mechanism that allows better adjustment and coping with stress.
- Ability to form relationship – high level of sociability has a positive correlation with success as a global manager.

The organizations of the 21<sup>st</sup> century require also for a multicultural work environment an effective managers who are willing and able to delegate responsibility, to enrich the authority of his/ her subordinates, to support a decentralized communicational flow, to stimulate his/her subordinates towards excellent results. They should be able in an effective way to cope with stress, uncertainty.

Flexibility, collaboration, trustworthiness of managers and constant development of his/her personality are becoming a part of managers' work, part of the demands put on the managers. Inability of managers to develop their own personality, inability or unwillingness to develop knowledge equals the inability to succeed and inability to survive. Managers in Slovak organizations should also uplift and modify their capabilities. The requirements expected of the line managers represent a specific condition of success of managers in Slovak companies. In the Slovak work settings, it is appropriate to keep direct contact with their subordinates, managers should set aside time for direct interaction and take into account individual needs and preferences.

According to the research in this field conducted in Slovakia (Poláková, M. et al., 2011), the important competences for successful managerial work were identified as following:

- (1) Analytical skills.
- (2) Client focus.
- (3) Active listening.
- (4) Self-control.



- (5) Ethical behaviour.
- (6) Openness to information.
- (7) Self-education focus.
- (8) Respecting others.
- (9) Diversity support.
- (10) Respecting other cultures.
- (11) Language skills.

Mainly, self-control, respecting others, diversity support, respecting other cultures, ethical behaviour is crucial for interaction in multicultural environment.

The success of organizations depends on their ability to maximize the potential and talent not only of the individuals, mostly of teams, which these individuals belong to. Secondly, the dependency stands on the ability to acquire managers with fresh qualities – able to lead multicultural people, various behavioural patterns, values or communication styles. Mutual interactions must consider cultural specifics reflected in values, attitude, mind set and human behaviour. Cultural diversity is manageable, if managers and team members choose the right strategy and their model of thinking avoids stereotypes, ethnocentrism and parochialism.

**Table 3.** Chosen positive and negative aspects of the diverse work environment

<b>Positive aspects:</b>	<b>Temporary negative aspects:</b>
<ul style="list-style-type: none"> <li>• New way of the thinking</li> <li>• Increase of the competitiveness</li> <li>• Increase of the creativity</li> <li>• Increase of the flexibility</li> <li>• Increase of the cultural sensitivity</li> <li>• Increase of the tolerance</li> <li>• Increase of the productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Increase of conflicts and uncertainty</li> <li>• Communication barriers</li> <li>• Ethnocentrisms</li> <li>• Increase of the stress</li> <li>• Decrease of the productivity</li> <li>• Motivation problems</li> </ul>

## 5 CONCLUSION

Today, globalization is a major driver that has impact on nearly every business. The internationalization of markets for sales and purchasing at least indirectly influences every business. Examples are the entry of new competitors into formerly protected domestic markets of changes in customers’ behaviors or preferences. A successful integration of Slovak organizations into a global business and competitiveness in Slovakia will depend both on business environment, as well as managerial abilities to operate in a global environment. The focus is predominantly on the ability to maximize the potential and talent not only of individuals, but also teams; the ability to accept various opinions and views, ability to lead people with diverse cultural background, behavioural norms, values, or communication styles. To achieve that employees in multicultural work environment will perform above the standards lies in understanding how cultural specifics - believes, attitudes, way of perceptions, habits, thinking, preferences etc. influence interpersonal interactions. In order to achieve it, managers have to be willing to self-development, to development of their high level cultural and emotional intelligence. So in the forefront is human factor – intensive preparation of managers for cross-cultural interaction, for effective leading in diverse work environment.

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# ***How do Managers Work with Digital Communication Media in International Business Relationships? Focus Group Results of Managers' Experiences of Digital Media Use for Relationship Building***

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## **ABSTRACT**

In a qualitative study about international business negotiations and personal business relationships carried out a few years ago, results showed that relationship building and maintenance was something that occupied most international negotiators' minds. It was stressed that meeting in person with due frequency was a requirement and that contact was kept in between meetings via telephone and email. However, some unexpected results were found indicating that the respondents experienced problems attached to developing and maintaining business relationships via email and video conferencing.

With this in mind, the author participated in a focus group consisting of seven managers with vast experience of international negotiation, with the purpose of finding out whether digital business communication behavior has changed over the last ten years.

The new results showed that struggling with heavy workloads, the participants welcomed communication technology that could save them a trip or two, but emphasized that for relationship initiation and building, meeting physically is still a requirement. The picture given about emailing was to some extent different compared with the older study, since it was no longer looked upon as a problem but as a part of everyday work. However, it became clear that the (in) formality used in emails was adapted to the stage of development of the business relationship, to the seniority of the counterpart and to his/her cultural background. The participants also discussed their experiences of videoconferencing, stating that after having tried new technology, they had to a large extent returned to traditional telephone conferences, only now those conferences took place via Skype.

In conclusion, the results show that traditional marketing activities and communication media prevail: personal meetings, telephone conferences and emails are the preferred ways of communicating. Digital communication media is used whenever it allows for traditional B2B behavior. All communication, regardless of which medium is used, is adapted to the cultural background and seniority of the recipient, and to the stage of development of the relationship. Most likely, the choice of medium is determined by the preferences of the buying firm.

## **1 INTRODUCTION**

Within the fields of international business negotiations and B2B marketing, personal selling and personal business relationships to customers has traditionally played a vital role for company success (Cavusgil, Deligonul and Yaprak, 2005; Nilsson Molnár, 1997; Brosan, 2012; Houtari et al, 2015). This was further examined in a study (Torsein, 2010) based on 25 in-depth interviews with company owners, executives, area sales managers and export managers employed in Swedish small and medium sized firms. The results indicated that personal relationships are initiated and developed through extensive communication, preferably in person, but with time the relationship can be maintained with the help of other communications media, such as telephone, emailing and videoconferencing. Meeting regularly in person was

however still considered a necessity. It was also found that initially, cultural differences may obstruct communication, but with time and maintained frequency in communications, the impact of cultural differences tend to diminish.

The qualitative approach of the study allowed for some unexpected results: Respondents spontaneously described problems associated with maintaining business relationships via email. Although emailing was used in everyday work, respondents stressed the risks for miscommunication leading to unnecessary conflict and time delay. As a tool for initializing a business relationship, email was considered a waste of time: Some respondents clearly stated that they would never consider doing business with anyone they had not first met in person. In fact, any medium available was deemed inferior to a personal meeting, the main reason being that they did not allow for the same richness in the information provided by personal interaction, where the spoken word is complemented by mimics, gestures, tone of voice, milieu, etc.

Since the study described above was carried out, digital communications media has gone through tremendous development, and international and B2B marketers now have a number of different communication media at their disposal. Along with emailing and webpages, marketers now have the opportunity to communicate with customers and consumers via social media, such as Facebook and Linked-in, and videoconferencing can be carried out via platforms such as Skype.

Recent studies within the field of digital B2B communication and marketing tend to focus on B2B use of social media for marketing and relationship building purposes (Habibi et al, 2015; Keinänen and Kuivalainen, 2015; Broekemier, Chau and Seshadri, 2015; Huotari et al, 2015). These studies emphasize that the interactive qualities of social media, together with the social needs of individuals and the importance of personal relationships within B2B marketing would imply that social media could substantially support relationship building. However, they come to the conclusion that B2B firms are not taking advantage of the full potential of social media, and that B2B firms still rely on traditional marketing and communication tools including personal meetings, telephone calls and emails.

Other studies focus on the role digital channels in general play in B2B marketing (Brosan, 2012; Holliman and Rowley, 2014; Karjaluo, Mustonen and Ulkuniemi, 2015). These studies affirm that traditional media and marketing tools prevail in the B2B sector. Although social media may be considered a useful tool for relationship development, buyers still tend to rely on websites and emails (Brosan, 2012). In fact, social media may not be suitable for B2B relationships when considering company needs for confidentiality and protection of competitive advantage (Karjaluo, Mustonen and Ulkuniemi, 2015). Buyers tend to show less interest in general information available to all, but are more concerned to get information and benefits that may solve their current problems (Keinänen and Kuivalainen, 2015). Consequently, any message distributed through digital media should have value for customers, i.e. help them to solve a problem or to help them do something more efficiently (Holliman and Rowley, 2014).

The studies suggest several ways to make social media more applicable to B2B firms, including educating employees in social media communication, with the purpose of empowering and encouraging them to be active on social media (Huotari et al, 2015). Factors deemed to impact B2B use of social media marketing included organizational culture and company resources, knowledge and capabilities (Habibi et al., 2015) and private use of social media, colleagues' support, and perceptions of the usability of social media for B2B communication purposes (Keinänen and Kuivalainen, 2015) among others.

The recent research within the field presented above show that the authors agree that B2B companies lag behind B2C companies in regards to identifying and grasping the market opportunities associated with digital media, in favor of traditional forms of communication and marketing. In respect to the development of personal relationships with the support of digital

communication, whether traditional or not, there is a consistent lack of focus in the presented sources. Consequently, the aim of this paper is to contribute to the understanding of how managers work with digital communication as a means to initiate, develop, and maintain personal business relationships, and whether the advent of digital media has changed how such relationships are built.

## **2 METHODOLOGY**

In consideration of the aim of this paper, an explorative approach was deemed necessary. By chance, the author was invited to a focus group organized by IUC Väst (Industry Development Centre West), an organization belonging to a nation-wide Swedish network of another 11 similar regional companies, working with development projects and innovation in collaboration with small and medium sized firms.

The focus groups consisted of seven representatives from small and medium sized Swedish companies active within the industrial sector. Their job titles and tasks were similar to those of the group of respondents who had been interviewed for the original study. The aim of the focus group was to discuss personal meetings with customers in relation to new communication technology, addressing questions about whether the conditions for building and maintaining personal business relationships have altered because of developments in communication technology, and whether there are situations where videoconferences can substitute personal meetings.

The focus group session began with the author giving a brief introduction to the topic, and discussion began spontaneously before the introduction was completed. In all, the group discussion lasted for over two hours. The participants proved to share their experiences quite openly and generously, demonstrating both interest and vast knowledge within the field. For instance, examples of communication via digital media with both Swedish and international customers and suppliers were shared.

Apart from participating in the discussion, the author simultaneously took notes, and ended up with a relatively rich material considering the intensity of the discussion. Since the author attended the focus group without the purpose of gathering primary data, IUC Väst and each participant were later asked for their permission to use the material for this paper, to which all agreed.

## **3 FINDINGS**

In the initial phase of the group discussion, the respondents spoke in positive terms of digital communication media and claimed to use it quite a lot in their daily work. All testified to have requiring work positions, and whenever time could be saved with the use of information technology, they experienced relief. However, as the discussion continued, it became clear that quite a limited set of digital media was used. In addition, different media was considered appropriate for different communication purposes, depending on the depth and nature of business relations and cultural background of customers.

In the original study, emailing was claimed to sometimes be a source of misunderstandings and time delays. This picture was not embraced by the focus group participants, who did not consider emailing to be a source of problems but as part of everyday work, and a natural medium for keeping contact and exchanging information with customers. Other media used for these purposes were text messaging via both Skype and mobile phones, and audio conferences, also carried out via Skype. Concerning text messages delivered via mobile phones, the participants stressed that this was only considered appropriate for business relationships that were characterized by a high degree of trust and informality. The use of

mobile text messages was considered to be intruding on the other party's privacy, and must be handled with utmost care, the respondents concluded.

Concerning email communication and messaging via Skype, the respondents stated that communication was adapted to the seniority and cultural background of the recipient, and to the degree of trust and informality characterizing the business relationship. In contact with representatives from cultures perceived as more formal than Swedish culture, such as Germans and Chinese, the respondents adhered to a more formal way of expressing themselves. In contrast, when communicating with younger counterparts, coming from more informal cultures such as the Scandinavian cultures and the Netherlands, and when the relationship was characterized by trust and informality, communication was less formal. Under such circumstances, the general view was that the use of emoticons was increasing. In contact with counterparts from more formal cultures, use of emoticons was perceived as inappropriate. In regards to videoconferencing and the use of Skype, the respondents stated that after trying videoconferencing, they had switched to audio conferences instead, resembling traditional telephone meetings. One respondent admitted that his organization had initially used too much technology, but had soon returned to telephone meetings. The reason mentioned for abandoning videoconferencing was that the technology was insufficient and therefore caused problems and time delays. Technology must work for both parties involved, otherwise it becomes an obstacle rather than a useful communication medium. Another advantage with telephone conferencing stated was the fact that the respondents do not have to dress up, and can participate from home if necessary.

The respondents also brought up e-procurement, which was not appreciated at all, since it does not allow for communication and relationship building. On the other hand, e-fairs or "dating-sites" were mentioned in more positive terms, as traditional fairs were considered somewhat inefficient and time consuming.

Social media was not brought up as a medium for customer communication, save its possibilities for fast image transferal. Sending or receiving a picture of a damaged product was given as an example of when communication of images was more efficient than explaining the problem in words, which could be a complicated and time consuming process regardless of which medium is used.

The respondents agreed that digital communication media were useful for some types of activities and customers, such as monitoring, coordinating activities with distributors, and for maintaining existing relationships. Digital communication media were considered inappropriate for initiating and building new relationships and for exchange of complex information. For these activities, traditional B2B communication methods including physical meetings, personal interaction and selling were considered superior, whereas for relationship initiation and building, meeting physically is still a requirement. This is in accordance with the results of the original study.

## **4 DISCUSSION**

Drawing from the results from both the original study and the focus group, along with literature findings within the area, it is clear that marketing and communication tools, media and methods used by B2B firms tend to be quite stable over time. Even though digital media are used on a daily basis, they complement traditional forms of communication in the work of maintaining existing business relationships rather than for creating and developing new ones.

Emailing, which was mentioned both as part of everyday work but also in relation to misunderstandings and time delay in the original study, was not perceived in this way by the participants of the focus group. In the literature, emailing was concluded to be one of the most

commonly used digital media (Habibi et al, 2015; Keinänen and Kuivalainen, 2015; Broekemier, Chau and Seshadri, 2015; Huotari et al, 2015; Brosan, 2012; Holliman and Rowley, 2014; Karjaluoto, Mustonen and Ulkuniemi, 2015), to the extent that it is now classified as a traditional medium. The fact that the focus group participants did not experience any problems, but carefully adapted their email messages in accordance with the cultural background and seniority of the recipient, and to the depth and stage of the relationship, indicates that with extensive use and general acceptance of this communication medium for both selling and buying organizations, general etiquette rules for email behavior may have been developed and become widely used. This is an area that calls for further study.

In the original study, videoconferencing was mentioned in negative terms, and in the literature it was barely mentioned at all. The focus group participants agreed that they preferred audio conferences, which were mainly carried out via Skype. Although a digital medium is used, the communication behavior is that of a traditional telephone conference. Apparently, video transferal technology is not yet satisfactory, and thus deemed inefficient. In this case, digital media allows B2B marketers to carry on with traditional communication behavior, why the participants used Skype quite frequently.

Messaging via Skype or other media, or by mobile phones, was mentioned by the focus group participants as another communication medium used for shorter messages. This communication form was also reserved for developed business relationships with counterparts from more informal cultures, such as Scandinavians and Dutchmen. Text messaging was not mentioned at all in the literature. However, Keinänen and Kuivalainen (2015) stress that private social media use affect professional use of social media, since individuals tend to use the same behavior in both private and professional life. The use of text messaging is most probably an example of this, as the participants highlight the importance of only sending mobile text messages to business contacts where the relationship is well established and characterized by informality, which would allow for a behavior used in private life. Since text messaging as a means for B2B marketing and communication was a neglected area in the literature, it deserves to be further researched.

In line with the original study and with the literature (Brosan, 2012; Holliman and Rowley, 2014; Karjaluoto, Mustonen and Ulkuniemi, 2015), the focus group participants agreed that meeting personally and physically is still the superior B2B marketing tool, since it is the most suitable tool available given the fact that the main objective of B2B marketing activities is to build and maintain business relationships. The participants made it clear that digital media, often used in traditional ways, should only be used for maintaining existing relationships, not for initiating and building new ones. Communication via digital media must be adapted to the stage of development of the relationship. Although many studies stress that social media characteristics should be advantageous for developing business relationships (Habibi et al, 2015; Keinänen and Kuivalainen, 2015; Broekemier, Chau and Seshadri, 2015; Huotari et al, 2015), they all conclude that these advantages are not fully realized by B2B firms. However, in consideration of the characteristics of industrial markets, where complex deals involving high risk and high value are negotiated over large amounts of time, the need for development of business relationships based on trust becomes obvious (Torstein, 2010). In addition, in situations of fierce competition, the need for confidentiality and for the protection of competitive advantage is essential (Karjaluoto, Mustonen and Ulkuniemi, 2015). Under such circumstances, traditional forms for communication are the most beneficial, whereas social media, given their characteristics of open access to information, are not. This may be the reason why buying firms tend to be quite uninterested in social media for business relationship purposes (Brosan, 2012). As long as the buying firm prefers communication via traditional media and methods, the selling firm must continue to use them.

## 5 CONCLUSIONS

Traditionally, B2B marketing has relied on personal selling and development of long term business relationships. The aim of this paper is to contribute to the understanding of how managers work with digital communication as a means to initiate, develop, and maintain personal business relationships, and whether the advent of digital media has changed how such relationships are built.

The results show that traditional marketing activities and communication media prevail: personal meetings, telephone conferences and emails are the preferred ways of communicating. When initiating and developing new relations, personal meetings are deemed more appropriate, but when the purpose is to maintain an existing relationship, personal meetings can be complemented by telephone, audio conferences via Skype, and email. Well-developed relationships characterized by informality can be maintained with the help of text messaging. Digital communication media is used whenever it allows for traditional B2B behavior. All communication, regardless of which medium is used, is adapted to the cultural background and seniority of the recipient, and to the stage of development of the relationship. Most likely, the choice of medium is determined by the preferences of the buying firm.

The results of this study are based on a relatively small qualitative material. The results however suggest that B2B marketers select digital communication media that allow them to communicate most efficiently with their customers, and that they adapt their messages to the recipient. Since traditional marketing activities prevail in the B2B market, digital media that support those activities are used.

## 6 ACKNOWLEDGEMENTS

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# ***Training Concepts for Industrial Service Staff in an Intercultural Context***

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## **ABSTRACT**

Industrial services have always been an important part of companies' value chains and thus subject to many strategic decisions. They are also one of the differentiation possibilities now when markets are saturated and customers base their decisions mainly on intangible aspects of what companies offer. Carefully designed trainings are a basis not only for outstanding service delivery but also for keeping employees' motivational levels and experiencing perks on both micro (organizational) and macro (economy) levels.

After successful growth in the domestic markets, expanding the customer base and generating more revenue is only possible if companies shift their business to other markets, which triggers a need for a new skill set – intercultural competence. Intercultural sensitivity facilitates communication and interactions with people from diverse cultural backgrounds and represents an incremental part of any training concept and its delivery.

According to the ESIC (European Service Innovation Centre) report, the Upper Austrian region is characterized by a strong manufacturing sector where service innovation driven transformation represents an inevitable step forward and is thus used as a large-scale demonstrator for the dynamic and broad impact of service innovation. As the Austrian region with the highest export rates and a broad international business presence, this paper focuses on companies in Upper Austria when elaborating on different trainings necessary for industrial service staff. Moreover, the paper emphasizes competences that should be acquired by trainings and intercultural differences that need to be taken into account when setting up trainings. The research is based on a literature meta-analysis.

## **1 INTRODUCTION**

Upper Austria is the best export region in Austria with more than one quarter of its all export. Its most fruitful products come from the production sector (machines, mechanical devices, steel and iron, engines and automotive products), while Germany, USA, Italy and CEE markets act as the biggest export markets (Land Upper Austria, n.d.). Due to globalization and corporate mobility many manufacturing companies are “going downstream” (following products to after-sale markets and offering additional services so the whole solution is provided instead of only core product) and thus providing highly-integrated systems (Davies 2003). Industry representatives in Upper Austria are looking towards services as one of the ways of sustaining competitive advantage and regional economic growth. The required service innovation on both business and economy levels requires united efforts that finally lead to fertile ground for successful transformation and development (European Commission 2016).

Industrial services do not only have higher margins than products (Anderson et al. 1997) and are a more reliable source of revenue due to their invulnerability to economic cycles (Quinn 1992), but they are also seen as a way of strengthening relationships with customers by making a customer a central focus of an organization (Bowen et al. 1989). Services are a great opportunity to fight against the accelerating global competition, shorter product cycles and rapid growth of imitators since they are much more difficult to imitate (Visnjic et al. 2013). All of this

implies the importance of services as an integral part of any product offering. However, in order to motivate a customer to participate in its co-production, all parties need to understand the concept of one offering, including the company's employees (Braxx 2005).

Many foreign companies are well off due to service centres in Upper Austria that offer support and training facilities for their international employees (Land Upper Austria 2016), which cannot be said for Austrian companies operating abroad. Therefore trainings for international service staff working in Upper Austrian subsidiaries abroad are the responsibility of their Austrian headquarters and their design has to be carefully constructed.

## **2 TRAINING BENEFITS**

In a global economy companies are competing on the basis of the skills and knowledge of their employees more than ever before. Training as a systematic approach emerged as a necessity in the competitive world when it comes to both the learning of new employees and the development of the already existing ones. Training benefits lie not only on organizational level, but also on macro level where countries around the world introduce national policies aimed to enhance human capital by supporting development and delivery of training programs (Aguinis and Kraiger, 2009). The United Kingdom, for instance, supports employers, trade unions and other bodies that provide frameworks for achieving success through people (Lee, 2004).

Trainings have also proved to have a positive impact on organizational performance measures, such as productivity, sales and revenue and overall profitability (Aguinis and Kraiger, 2009). Although there is a big gap in literature examining impact of trainings on companies' performance, research done by Aragon-Sanchez et al. (2003) and Ubeda Garcia (2005) show a positive relationship between on-the-job training and trainings carried by internal trainers on the one side and effectiveness of employees, stakeholder satisfaction and key performance indicators on the other.

Not only have relationships between companies and customers changed dramatically, but so too have employer-employee ones, where employees' loyalty to a single company lies in the opportunities one company offers them – namely the ones that increase their ability to keep up with growing knowledge and skills requirements (Garger, 1999). Besides enhancing employees' commitment, trainings can improve career satisfaction and interdepartmental collaboration (Geet and Deshpande 2008, cited in Martin et al. 2013).

Arthur et al. (2003) ascertained that when compared to no-training, training has a positive impact on job performance and job-related behaviour. Although trainings positively influence the performance of employees and organizations (Arthur et al. 2013; Aguinis and Kraiger 2009; Aragon-Sanchez et al. 2003; Ubeda Garcia 2005), their effectiveness is dependent on the training delivery method and the skill being trained (Arthur et al 2003). The most effective training programs proved to be the ones that include both cognitive and interpersonal skills (Aguinis and Kraiger 2009).

While on-the job trainings lead to improved tacit skills and greater innovativeness (Barber 2004), behaviour modelling trainings are proven to be fundamental for improving technical skills (David and Yi 2004). Tacit skills are acquired through informal learning and represent an intuitive feel when performing a complex set of actions (Barber 2004). Behaviour modelling trainings change trainees' knowledge structures by improving their declarative knowledge (David and Yi 2004) and task performance, or procedural knowledge (Taylor et al. 2005). While declarative knowledge deal with "what", procedural knowledge is the knowledge that deals with "how" something is done (Aguinis 2009).

In very stressful situations with a high level of novelty, stress training helps to maintain performance consistency (Frayne and Geringer 2000) where trainees are developing their

strategic knowledge, a skill of knowing when to apply a specific knowledge (Kraiger et al. 1993). Frayner and Geringer (2000) administrated self-management training using a field experiment in the life insurance industry. Sales people who participated in the training demonstrated higher objective (number of new policies sold) and subjective outcome (self-efficacy, outcome expectancy, subjective job performance). In a global economy cross-cultural trainings are gaining more importance, where expatriation assignments tend to boost not only the market performance of one company, but also the networks with stakeholders. While some authors argue that traditional trainings serve as a way of acquiring information whereas cross-cultural trainings focus on changes in attitudes and thus acceptance of cultural differences (Bhagat and Prien 1996), there is no doubt cross-cultural trainings are a necessity when preparing an individual psychologically for the life in another country (Bhawuk and Brislin 2000). Research has also proved the effectiveness of cross-cultural trainings when it comes to expatriate's success on assignments abroad (Littrell et al. 2006).

Trainings can also positively influence variables that act as antecedents to job performance. Such trainings are for instance leadership trainings that improve motivation, morality and empowerment (Dvir et al. 2002) and team-based trainings which improve team performance (Edkins 2002) and declarative knowledge (Ellis et al. 2005), and are especially important for fields such as medical care and aviation where errors are often the result of poor team coordination (Morey et al. 2002).

### 3 TRAINING METHODS

Many people when thinking about trainings think of something reactive that is created as a response to a market need. This approach, however, is not enough in today's knowledge-based economy. Organizations are shifting their focus towards providing an environment in which employees can acquire and apply certain knowledge and skill instead of simply providing them with information packs. They are focusing their attention on creating learners, by distinguishing between having information, knowledge and wisdom (Garger 1999).

In order to do so, special attention is given to training design and delivery methods. Not only do methods matter when it comes to retention levels of participants (Linou and Kontogiannis 2004), but they also influence employees' performance (Heimbeck et al. 2003) and the quality of decision making (DeRouin et al. 2004).

The training method is a set of systematic procedures designed to convey knowledge, abilities, skills or attitudes to the participants in order to enhance their job performance (Martin et al. 2013, p. 2). There is no single method to deliver training due to ever-changing technologies and advances in learning theory, but one has to keep in mind that trainings have to go hand-in-hand with their goals. Based on seven criteria: learning modality (seeing, hearing or doing), training environment (natural or real work environment or contrived), trainer presence (training delivery through a trainer or other source, such as computer), proximity (face-to-face or remote), interaction level, costs (low, moderate, high), time demands (time commitment required of the trainees), Martin et al. (2013, p. 5) identify 13 core training methods: case studies, games-based training, internship, job rotation, job shadowing, lecture, mentoring and apprenticeship, programme instruction, role-modelling, role play, simulation, stimulus-based training and team-training.

*Case studies*, as one of the training methods, develop skills by presenting a problem with a solution as an example of how to solve the problem, or without it so the participants can solve it themselves (Bruner et al. 1999). As a low-cost training method applicable to a large number of participants, the method is suited for the situations where participants have some knowledge,

but benefit from the applied nature of the training (Martin et al. 2013) by enhancing decision-making, analytical, communication and interpersonal skills (Shivakumar 2012).

*Games-based trainings* are trainings in which trainees compete in a decision-making task, allowing them to explore a variety of strategic alternatives and explore consequences without the risk of anyone being harmed (Martin et al. 2013)

*Internships*, as a learning by doing method, are suitable for situations in which learners have extensive knowledge enabling them to overcome the unsupportive and inconsistent nature of this training method and where the employer has limited financial resources at his or her disposal (Martin et al. 2013).

*Job rotation* is a training method that widens employees' horizons by allowing them to work on different positions at time frames dependent on their already existing knowledge, skills and capabilities (Gomez et al. 2004). Research has shown the positive relationship between job rotation and job satisfaction, which increases commitment to organizational goals and enhances job performance (Saravani and Abbasi 2013). By boosting knowledge transfer, employees acquire various skills and enhance their flexibility making them more valuable for the company (Tyler 2008).

*Job shadowing* authorizes trainees to observe someone performing a specific job supporting them in learning firsthand about the challenges associated with the job, without the risk and costs associated with job rotation (Tyler 2008; Martin et al. 2013).

*Lectures* are very well suited for simple training content with desired standardized learning (Martin et al. 2013). Many can argue for and against this training method, however, classroom-style training has always been an inevitable part of any learning. It provides interpersonal contact and it brings the most effect when combined with other training techniques (Garger 1999). Failure to acquire the target knowledge is a downside of this method (Martin et al. 2013).

*Mentoring and apprenticeship* involve a partnership between a novice and a senior employee by which a new employee gets support and guidance in job skills acquisition (Martin et al. 2013).

*Programmed instruction* is a training method that involves an electronic device with the help of which trainee gets feedback. Participants' learning depends on the feedback type ("correct/wrong", knowledge of correct response, elaboration feedback, delayed feedback) (Jaehnig and Miller 2007). One of its method variations is distance learning. Distance learning enables trainings to highly mobile the workforce. Not only has video conferencing enabled discussion with employees all over the world, but it also supports the conducting of interactive quizzes and online availability of learning materials. Advantages of distance learning are numerous – costs savings, eliminated traveling time, consistency and increased productivity due to self-organized time of learners, just to name a few. Nonetheless, one has to keep in mind all the pitfalls distance learning brings with itself such as high dependency on technology, reduced group interactions as well as the possibility to build on ideas, which is likely when meeting colleagues in person (Garger 1999).

*Role-modelling* consists of live presentations of a certain skill to trainees, without an ongoing interaction. Very similar to job shadowing, training participants are learning by seeing from the others (Martin et al. 2013)

*Role plays* are a very popular training method which allows participants to apply the content of the training to a simulated situation by using various scenarios and thus decreases the chances of failure on the job (Martin et al. 2013).

In situations where trainings conducted in real-life environments are dangerous and / or costly, *simulations* provide effective practice opportunities that are safe, engaging and structured (Rosen et al. 2012). Simulations are becoming more affordable and thus used in a wider range of industries, but are a necessity in those where failure at work has major consequences (Martin

et al. 2013). Thanks to video streaming and realistic, highly active computer based simulations, computer-based trainings offer a solid basis for acquiring soft-skills, which was not possible before. Those realistic conversational pathways bring it down to learning by doing, which many think is the most effective learning method (Garger 1999). Moreover, virtual reality is a three dimensional computer based simulation allowing human interaction in real time and is equivalent to work activity by granting a detailed exploration of virtual objects. Augmented reality, on the other hand, is the augmentation of the real world by a virtual one. Both realities have proved to outperform the 2D drawings offered by conventional approaches of studying. When it comes to manufacturing, virtual reality has indicated better outcomes due to free object manipulation and is more flexible than augmented reality (Boud, et al. 1999). Technology-based learning provides an environment in which participants both acquire and practice certain skillsets before entering a classroom, which sets up a basis for a more efficient and effective classroom learning (Garger 1999).

Trainings that use a certain *stimuli* (music, narratives, works of art) by eliciting certain emotions in the participants and thus inducing a state of being in order to achieve learning (Martin et al. 2013) have proved to be effective, although negative emotions that are easily triggered should not be neglected.

When employees need to work together on some tasks or projects, developing their skills and knowledge in a team has certain benefits. Not only do those trained together in *team trainings* recall more from the training and make fewer on-job errors (Liang, Moreland and Argote 1995), but they also develop a certain set of social skills influenced by the group dynamics (Moreland and Myaskovsky 2000).

## **4 TRAINING CONCEPT**

Before any development of a training concept, evaluation measures have to be defined. Although many different models and approaches to training evaluation have been developed over time, it seems that Kirkpatrick's (1976) four-level model of training evaluation still has the widest use (Arthur et al. 2003). The model examines training effectiveness from four points of view – the reaction of participants measured by self-reports, learning criteria measurable through different tests, behavioral criteria that are very closely related to on-the-job performance and results criteria measured on a more macro level such as different profitability indicators.

Once the evaluation criteria have been determined, a company proceeds with the needs assessment, process of determining whether and to which extent one training can contribute to the organization's needs, problems and objectives. Within this context, this is a process that consists of three analyses – organizational (company's goals), task (skills needed for certain job position) and person (individuals needing training) (Arthur et al. 2003). Since the needs assessment specifies skills and tasks to be learned, practitioners have control only over the choice of training delivery method. This is especially to be considered in an intercultural setting, where not only the delivery method plays a role in effectiveness of skills and task acquisition (Wexley and Latham 2002), but group dynamics and rapport building could also be hindered. Therefore, the following chapter will focus mostly on training methods when dealing with intercultural adaptation of the training concept.

## **5 INTERCULTURAL ADAPTATION OF THE TRAINING CONCEPT**

Research has shown that customers in different cultures evaluate offered services differently and are thus differ in their sensitivity towards to compensations and apologies from the companies whose services did not match customer's expectations. Moreover, it has also been

proved that cultural dimensions defined by Hofstede influence reshaping customers' repurchase decision. Having stated this, compensation as one service recovery action seems to have a greater influence on low power distance and highly individualistic cultures, while collectivistic Asian cultures prefer cultivating trust over compensation in customer retention (Wong 2004). That would mean that services provided by the same company worldwide have to match standards of different national cultures rather than the organizational ones and training methods have to be adjusted accordingly due to different approaches and attitudes to learning.

One widely used framework in understanding cultural differences is developed by Hofstede's study of 53 cultures in 72 countries. He identified power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance and long versus short term orientation as dimensions where cultures are likely to differ.

High power distance deals with an unequal power distribution in one society, such as Malaysia, Indonesia, Singapore (Hofstede 2001), where senior-level people make decisions on their own and junior-level people do not intervene at all and neither do they contribute with their own ideas. Furthermore, subordinates are expected to do what they have been told to (Hofstede 2005). Since lectures provide a high amount of one-way information for training participants (Martin et al. 2013; Garger 1999), high-power distance cultures feel most comfortable with this training method, where participants could learn from their superiors the best (Haller 2013).

Individualistic cultures embrace values such as personal achievement, freedom and self-reliance while collectivistic countries nourish integration into strong cohesive in-groups, harmony (which is maintained by avoiding direct confrontation) and use high-context communication style. One culture which is highly-contextual, as for instance Japan (Hofstede 2005), brings many challenges in trainings where participants' feedback reshapes their direction. The Japanese language is full of ambiguity and thus when a Japanese person says "Yes", it does not mean a person agrees, but that he or she in the best case understood what a trainer wanted to say (Haller 2013). On the other side individualistic cultures prefer vivid and rough discussions and competition (Haller 2013) with which games and case studies seem to be a suitable choice for training methods.

Masculinity and femininity deal with different values in a society – competition, status and achievement on the one hand in masculine cultures and relationships, consensus and equality on the other hand in feminine cultures (Hofstede 2005). Having in mind the fact that in some cultures women are not expected to be in leading positions (such as Arabic countries) (Hofstede 2005), the gender of a trainer can be a big issue – female trainers could have difficulties in establishing trust among participants (Haller 2013).

Uncertainty avoidance deals with society's tolerance for ambiguity and uncertainty, indicating to what extent members of one culture feel (un)comfortable in unstructured situations. Uncertainty avoiding cultures would place a strong focus on laws and rules that would minimize the possibility of such novel, unknown or surprising situations; they believe in experts and technical solutions and are rather xenophobic (Hofstede 2005), which leads to the necessity of having a patient trainer – someone who would invest a lot of time in being trusted and accepted in one group (Haller 2013). If anxiety in uncertainty avoiding cultures is successfully managed, its members can feel comfortable being in a different environment in the event of training taking place somewhere else than at the places they are used to (Gudykunst 1998). Uncertainty avoiding cultures are also rather skeptical towards new technologies (Hofstede 2005) which means virtual reality and its advances should be carefully considered. In cultures characterized by low risk avoidance, trainers are not expected to know everything (Hofstede 2005), rendering role plays and case studies appropriate training methods as these are training methods with a not strictly defined solution.

Short-term oriented cultures respect traditions and believe that efforts should produce quick results (focus is on bottom line), whereas long-term oriented cultures think on a long-term basis (investments, savings) and perseverance. Members of long-term oriented cultures are allegedly good in applied and concrete sciences, preferring also teaching modes that would make them think rather than providing them with a huge flow of information. Short-term oriented cultures, on the other hand, get along better with abstract and theoretical sciences and are thus prefer lectures as one of the previously defined training methods (Hofstede 2005; Haller 2013). Differences in values previously described by power distance, individualism, masculinity, uncertainty avoidance and time orientation often affect relationships among training participants or between trainers and participants in intercultural setting (Hofstede 2015).

Furthermore, the language of instruction plays a significant role. Trainers have more power over the learning if they teach in the student's language than the other way around, and training participants are very often more prone to participate in intellectual discussion when speaking in their native language (Hofstede 2015). Cultures with pictorial languages such as Korea, Japan and China are used to pictures and prefer graphical presentations of ideas rather than simple lists and written descriptions (Haller 2013). Pattern recognition by children is developed through the nature of the script, which imposes an urge for rote learning (Hofstede 2005). Besides different expectations concerning the educational process and the roles of various bodies in it, some countries praise teachers/trainers (China, Germany and Japan), while in other the status of teachers is rather low (Britain) (Hofstede 2015).

When it comes to training evaluation, it is important to note that different cultures place an emphasis on different aspects of training. Bearing this in mind, French people favour design over real substance. The Swiss, as an environmental friendly culture, stress optimal resource allocation. Germans care for final results and usability of trainings. The Japanese want to see increased performance and functionality as a result of training (Haller 2013).

## **6 CONCLUSION**

It is more than evident that globalization alongside many advantages and opportunities, brings many challenges that may hinder international business. When dealing with people from other cultures it is important to understand their cultural "backpack" in order to grasp their way of thinking and acting. Having intercultural competence opens an entirely new world where country borders become just meaningless lines on a world map and world population a potential customer base.

Trainings as a way of developing people's skills will always be subject of discussion. New training methods arise with every technological advancement as well as necessary skill sets to compete in a highly competitive environment. How companies will approach new challenges that come along is yet to be seen. After all, to see effects on a macro level, government and organizations have to start with individuals and their ever-changing needs and desires rooted in various cultures they belong to.

## **7 LIMITATIONS AND FURTHER RESEARCH**

This paper has dealt with one part of the training concept and its intercultural adaptation for companies that need to train their service staff coming from other cultures, mainly training methods. It did not, however, examine the learning process as such and method implications on cognitive, associative and autonomous phases and thus provides room for further research (Fitts and Posner 1967). Individual differences in skill learning, changes in behavior, reactions or results do not have to be taken into account, neither do the personality types that may affect any of the evaluation levels (Kirkpatrick 1976). Furthermore, the paper focused only on one set



of cultural dimensions, examining them separately. This implies the need for a more comprehensive overview of intercultural models and a more detailed analysis of the necessary adaptation of training methods.

The Delphi method, conducted with nine Upper Austrian manufacturing companies in 2014 and 2015, clearly demonstrated the need for educating service staff working on different locations around the globe in stress prevention, product and sales training with the focus on cross-cultural aspects. Having stated this it is clear that employees working in service departments lack both hard and soft skills that may hinder the success of companies and negatively influence the Austrian export rates, which are already weakened by many internal and external factors (CIA 2016). Having carried out the needs analysis, it is clear that different training methods can be manipulated in order to achieve the desired level of skill acquisition. Whether intercultural aspect would prevail over defined skills that need to be trained is something requiring further examination.

New technologies have shaped the world of training and it looks as if HR managers will focus their attention on areas such as self-directed learning, distance learning and strategic classroom learning, making the ever-growing variety of training methods reflect the technological progress. A question that arises lies in the extent to which technology can be suited to develop any needed skill and if so, what is the effectiveness of those trainings on both macro and micro levels?

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## APPENDIX

**Table 1.** An overview of training methods, based on the seven criteria (Martin et al. 2013, p 8)

method	learning modality	training environment	trainer presence	proximity	interaction level	cost consideration	Time demands
case study	doing	Contrived	yes	face-to-face, or distance	variable	low	moderate
games	doing	Contrived	yes	face-to-face or distance	interactive	moderate	high
internship	doing	Natural	yes	face-to-face	somewhat interactive	low	high
job rotation	doing	Natural	n/a	face-to-face	not interactive	n/a	n/a
job shadowing	seeing	Natural	yes	face-to-face	not interactive	low	low
lecture	hearing	Contrived	yes	face-to-face or distance	not interactive	moderate	low
mentorship	doing	Natural	yes	face-to-face or distance	somewhat interactive	low	moderate
programmed instruction	seeing	Contrived	no	distance	not interactive	moderate	low
role-modeling	seeing	Simulated	yes	face-to-face or distance	not interactive	moderate	low
role play	doing	Simulated	yes	face-to-face	interactive	low	low
simulations	doing	Simulated	no	face-to-face	not interactive	high	moderate
stimulus-based	variable	simulated	yes	face-to-face	somewhat interactive	moderate	low
team	doing	contrived	yes	face-to-face or distance	interactive	moderate	low

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# Session B

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Intercultural  
Perspectives in  
Higher Education  
Research

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**Chair:**

Jörg Kraigher-Krainer

Stefanie Sterrer

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# ***Gender Microaggressions in Low-Context Communication Cultures: A Perceptual Study in the Context of Higher Education Institutions***

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## **ABSTRACT**

In recent years the concept of microaggression has increasingly spurred the academic debate resulting in a number of classifications to express its several forms. This contribution seeks to shed light on gender microaggressions as they occur in higher education settings and discusses a number of perceptual aspects from an interpersonal, systemic and environmental level. It is attempted to relate these brief and commonplace verbal and behavioural indignities to the perceived level of hostile and derogatory insults towards the investigated members of the stereotyped academic group.

In doing so, both overt and subtle daily acts of discrimination are identified in the form of microassaults, microinvalidations and microinsults and the extent to which women in academia face particular microaggressions is explored. In particular, it is looked at women's experiences that pursue a scholarly career in low-context communication cultures such as Austria and Finland. It was found that the largest amount of microaggressions occurred in terms of microinvalidations which classify female gender experiences as non-existent insofar that perpetrators invalidate or negate realities of women by pretending that such aggressions have never happened or that women are just reacting in a hypersensitive manner. While it is recognised that a low-context communication culture is defined along the lines of explicit and non-personal communication styles, there are still a number of differences as to the extent of perceived gender microaggressions in both countries. In Austria - considered as a masculine country and expressed as such by the Finns - females seemed to be exposed to more microaggressions than their Finnish colleagues. Also the identification and elimination of such inequalities appeared to be a greater issue in Finland than in Austria. This cross-border contribution explores perceived factors for negative stereotypes and discriminatory acts against women in academia and relates them to the societal and institutional context of the investigated countries.

## **1 INTRODUCTION**

The concept of microaggression, coined by Pierce (1970) to describe insults and negative racial slights against Afro-Americans, was soon taken up by women's and social rights activists to include similar aggressions directed towards women (Rowe, 1990, Nadal & Haynes, 2012), people with different sexual orientation (Sue, 2010, Shelton & Delgado-Romero, 2011) or people with disabilities (Keller & Galgay, 2010). Over the last decades a growing body of literature discusses the many forms and sizes that microaggressions and microinequalities can take against marginalized groups and how they have evolved into a new face of racism, one that- at first glance- appears to be more subtle but was found by no means less painful

(Constantine, 2007; Sue, 2010; Capodilupo et al, 2010; Nadal, 2013), often intended to hit their victims as a full-fledged (and not 'micro') insult.

Hence, strategies of turning to indirect allusions for evading bold dehumanising messages when addressing marginalized groups seem to increasingly become the rule in societal and political arenas. For this reason, it is a most urgent scholarly task to decipher this "code of dehumanization" and lay open how individual speakers mould its narrative motifs and how degrading allusions in the form of microaggressions potentially take shape in the recipient's perceptual encoding of emotions.

This contribution looks at gender microaggressions that occur among female teaching staff at higher education institutions in Austria and Finland. More particularly, it is investigated how women in academia perceive verbal or behavioural indignities, especially in the light of low-context communication cultures that are characterized by explicit verbal communication patterns, frequently independent of its context (Hall, 1976).

## **2 GENDER MICROAGGRESSIONS**

Gender microaggressions can be commonly described as "brief and commonplace daily verbal, behavioural, or environmental indignities" (Nadal, 2008, p 23) that are directed towards women to communicate hostile and disparaging insults. Intended or unintended dismissive looks, gestures or expressions against women are a form of systemic discrimination against members of this stereotyped group. Although it was found that in the Western world blatant expressions of sexism are on the decline, negative stereotypical discriminatory acts are still on women's daily agendas (Basford et al, 2013). Such gender-biased reactions embrace being overlooked, getting unwanted stares or dismissing accomplishments.

What has changed is that discrimination is becoming more subtle and ambiguous, but also a subtle form of degrading allusions has still a major impact on work-related factors such as limited mentoring and network options and family-related issues. The glass ceiling is even today an ever-present obstacle in today's business environment (Bible & Hill, 2007, p 65).

Sue (2010) identified nine forms of gender microaggressions which can be expressed on an environmental, systemic or interpersonal level. These messages comprise sexual objectification, second-class citizenship, use of sexist language, assumption of inferiority, restrictive gender roles, denial of the reality of sexism, denial of individual sexism, invisibility, and sexist humour.

While interpersonal microaggressions go hand in hand with verbal threats or dismissive body language, which frequently tend to be met by avoidance behaviour, environmental microaggressions become more apparent on a systematic and institutional level and are reflected in their history of exclusion. Such aggressions take form in countless "demeaning and threatening social, educational, political, or economic cues that are communicated individually, institutionally, or societally to marginalized groups" (Sue, 2010a, p. 25).

### **2.1 Forms of Microaggressions**

Perpetrators of microaggressions may sometimes be unaware of their biases and prejudices that they hold against marginalized groups and are hence more unlikely to identify discriminatory acts or tend to downplay dismissive remarks or even ignore them. People with low levels of feminist identity (Downing and Roush, 1985) are mostly unable to unveil sexism and discrimination against women which is why awareness-raising activities need to be reinforced, particularly in view of the fact that "privilege is invisible to those who have it" (Kimmel, 2008).

Against this backdrop, Sue et al (2007) conceived a model of categories and relationships among microaggressions which they divided into conscious and unconscious acts of indignities. Although this model was set up to shed light on the existence of racial bias, it can also serve as foundations for gender-related discrimination since forms of sexist behaviour are likely to span from ambiguous microinvalidations to slightly more overt microinsults to explicit microassaults.

#### 2.1.1 *Gender related Microinvalidations*

By ignoring the gendered lives of women, perpetrators of microinvalidations often unconsciously negate female realities and invalidate or nullify their psychological experiences. Such actions may include expressions such as “there is no such thing as sexism” or “we are all human beings” or “I am totally gender-blind, may the best person get the job” or making assumptions about females due to their status as women. Such interactions in form of verbal comments or dismissive behaviour discredit the thoughts and feelings of women based on their gendered experiences and are intended to deny the individually perceived acts of sexism.

#### 2.1.2 *Gender related Microinsults*

Microinsults can be described as “subtle snubs, frequently unknown to the perpetrator, but clearly convey a hidden insulting message to the recipient” (Sue, 2007, p 274). Such messages may include gender-related allusions such as “you are not competent”; “your idea is not valid” or “you do not belong here”. This more covert form of microaggression mostly occurs outside the perpetrator’s level of conscious awareness and can be associated with what Glick & Fiske (2001) call ‘benevolent sexism’, a subtle form of prejudice that “allows members of dominant groups to characterize their privileges as well-deserved, even as a heavy responsibility that they must bear” (p 110). One of such actions disguised as a compliment may be translated in being a “gentleman” and carrying a box for the “lady” or a comment such as “I am the breadwinner and assume so much responsibility for the financial wellbeing of my wife”. Another comment in form of a microinsult may be expressed as “you are highly numerate for a woman”. Examples for environmental or institutional microinsults may include displaying nude pictures of women at the workplace or a male-only working environment.

#### 2.1.3 *Gender related Microassaults*

Gender microassaults are similar to overt and old-fashioned sexism (see Swim & Cohen, 1997) insofar as they are conscious biased beliefs and derogations held and made by the individuals and intentionally targeted towards women with the aim to make reference to their alleged inferiority. This bias is directly and consciously expressed through sexist statements and actions and can take the form of catcalling as a woman walks by or calling her a “bitch” whereas her male colleague may have been qualified as “tough and assertive” in the same situation. Other purposeful discriminatory actions may result in giving second-class service to women or displaying avoidant behaviour as a deliberate act of the microaggressor who intends “to hurt, oppress or discriminate” (Sue et al, 2007, p 331).

In framing the existence and perception of gender microaggressions in academia in two low-context communication cultures, namely Austria and Finland, it is sought here to also reveal their communication patterns to help discern perceptual processes that are linked with the above-described forms of microaggressions.



3 LOW CONTEXT-COMMUNICATION CULTURES

Some research has been undertaken to define and compare cultural characteristics and speech patterns that are predominant among Austrian and Finnish citizens (Chydenius & Gaisch, 2015; Chydenius & Gaisch, 2014; Gaisch & Chydenius, 2012; Santonen et al, 2012). In terms of cultural categorization, Hall (1976) suggested a differentiation between high context (HC) and low context (LC) cultures to better understand differences in their communication patterns. While in HC cultures, speech patterns are affected by clearly structured social hierarchy and strong behavioural norms in which the deeper meaning of a message is usually embedded within the information or frequently even internalised in the person, LC cultures tend to expect that the majority of the information is part of the transmitted message (Hall, 1976). As such their communicative styles are generally characterized by direct and linear patterns and described as precise, dramatic, open, and based on feelings and true intentions (Gudykunst & Ting-Toomey, 1988). While Austria as a German-speaking country is clearly outlined as a low-context communication culture with preference for explicit, detailed, direct and precise statements (Kepplinger et al, 2012), the table below does not explicitly position Finland on the low/high context scale.

Table 1. High/Low context by culture (Hall & Hall, 1990).



Still, much scholarly attention has been devoted to Finland and what has been called its communicative dilemma which has been described along the lines of a Janus face (Nishimura, 2008, p 5). Thus, Finland seems to have been a high context culture in many regards, but in view of the speech patterns of generation X (Coupland, 2015), it has increasingly been turning into a low-context culture. Today, Finland is faced with a young generation that explicitly states meaning through language, so that reading between the lines is no longer a linguistic prerequisite. In any event, communication (within cultures) goes beyond pure information exchange and negotiation of meaning, and is - to use Bibler's words - "the co-being and mutual development of two (and many) totally different worlds — different ontologically, spiritually, mentally, physically (1991, p 298). As to Finland, it appears that this dilemma holds particularly true since this country appears to "have Western European values cloaked in an Asian communication style" (Lewis, 2005, p 67). The growing tendency of not shying away from conflict (Mikluha 1998, p 148) might, however, provide further evidence that they gradually shift closer to the low-communication style indicated by Hall (1990).

Against this background it becomes particularly interesting to explore how gender microaggressions are perceived by female academics that are socialized in a culture where direct communication with minimum ambiguity is the norm and expectations are high that information is “elaborated, clearly communicated and highly specific” (Andersen 1986, p 22).

## **4 METHODOLOGY**

A qualitative focus-group research design was used to explore collective interactions on how female academics experience their institutional climate with regard to gender-related issues. One guided group discussion was conducted in Austria in order to capture a broad understanding about the agents’ perceptions of gender microaggressions and their lived gendered experiences with such social and verbal cues. The results were then presented to Finnish women in academia who reflected on these gendered experiences and related them to their own societal and institutional contexts.

### **4.1 Participants**

The focus group participants were recruited through purposive sampling and consisted of nine female academics working at six different Austrian institutions of higher learning (four universities of applied sciences and two traditional universities). To meet the predefined criteria, the subjects needed to hold a teaching position within the relevant higher education institution for at least two years. This should ensure that the female professors were sufficiently familiar with their institutional culture and its communication structures. The group discussion was set in a climate that allowed all nine participants to voice share and reflect on each other’s personal experiences and lasted approximately 140 minutes. Upon permission of the participants, the collective interactions were tape-recorded and analyzed along with field notes and research memos. In Finland, seven female academics were interviewed; five in the form of a focus group and two by phone interview. All of the Finnish respondents were middle-aged and had senior lecturing positions.

### **4.2 Data Analysis**

Thematic analysis, a method for “identifying, analyzing, and reporting patterns (themes) within the data (Braun & Clarke, 2006, p 79) is one methodological approach that has been gaining increasing popularity in qualitative data analysis (Al Ghazali, 2014). One of the reasons for its growing appeal may be attributable to the fact that it allows for both descriptive and interpretive accounts of emerging data, another one may be found in its rather pragmatic approach towards data analysis and its theoretical freedom. Braun & Clarke (2006) do not call for the level of detail in the transcript that is normally indispensable in content or narrative analyses but claim that both the transcription convention and density of information shall suit the purpose of analysis.

The aim of a thematic analysis is to get familiar with the data, generate initial codes and search for and review themes. In a second step, they are defined and named and a scholarly report is produced. Since “data are not coded in an epistemological vacuum” (Braun & Clarke, 2006, p 84) and no guidelines - apart from making it true to its original nature - are provided as to the philosophical or theoretical underpinning of this method, it needs to be stated here that Halkier’s (2010) method of analyzing focus group interactions was used. By systematically analyzing social enactments, a moderate social constructivist stance and a practice theoretical perspective were adopted in which “social life is understood as performativity” (Halkier, 2010,

p 85) in which everyday agency in accomplishing habitual practices embrace discursive processes as well as bodily material ones (also see Butler, 2010).

## **5 RESULTS**

In the following, findings of the Austrian focus group interview are presented and, if applicable, related to the Finnish setting.

Four main themes emerged from the thematic analysis: environmental inequities, power relations, implicit bias and disciplinary pecking order. To gain insights into the nature of the data contained in each theme, a number of vignettes are presented below. These extracts were chosen in view of their informative and/ or representative value and also served as a point of departure for the Finnish academics.

### **5.1 Environmental inequalities**

Seven out of nine women explicitly stated that they perceived a societal and institutional climate of inequalities based on a long history of female exclusion in academia. They regarded the WHAM (white, heterosexual, able-bodied men) phenomenon (Shevills & Killingray, 1989) as normative institutional forms that were perceived to be in line with national policies.

The maintenance of male homosociality (expressed in male-male relationships) and hegemonic masculinity were identified as a particularly Austrian feature that was seen as deeply embedded in a masculine society that did not provide sufficient mentoring possibilities for female teaching staff. Most of the interviewed women sensed the glass ceiling in view of their lacking networks as the following vignette shows:

“In Austria everyone is for emancipation, to let the token woman in the door; it would be unfair if not. But when it comes to power, status and wealth, then this is purely a male domain. You can see this in politics, in academia or simply in society. Streets and buildings are named after men, awards and prizes are given to men, the big wheels are all men and no one questions anything.”

Four academics stated that in Austria societal aggressions against women are so common and systemic that major awareness-raising activities are required to “open men’s eyes to these inequalities”. On a more positive note, they acknowledged the efforts undertaken by their universities to systematically rise the percentage of female teaching staff and also approved of a variety of measures taken to promote women. At the same time most participants gave account of a number of humiliating social cues that were conveyed to them both on the institutional and societal level. Three felt that women quota were just seen as necessary evil imposed by the law and thus only half-heartedly applied. They also added their perception that female academics needed to perform twice as much as their male colleague to receive “half of the recognition.”

The latter was also supported by the Finnish academics who stated that female teaching staff needed to invest way more effort than men to prove their expert status. They found this to be particularly true for young female academics.

### **5.2 Power relations**

This is the theme where most microinvalidations were perceived. Eight out of nine women provided evidence of structural inequalities based on gender-related power relations. There was common agreement that privilege was invisible to their male colleagues and once addressed, the female academics were confronted with numerous micro attacks in the sense of “why do women always take everything personally” or “shall I do the calculating, women are

apparently better at talking” or “why are you girls always so hyper-sensitive” or “aha, now I obviously get a woman’s perspective”.

All women reported of incidents where their realities as women were negated as this vignette shows:

“I don’t know of any of my work-mates that gets comments on his looks, hair or shoes. No one would dare asking my male colleagues in a reproachful voice why they were not attending last week’s meeting and no male professor would be asked to take the minutes if a female colleague is in the room. When I bring up these issues, I always get dismissive responses as if I was just overreacting and such things were not true”.

There was common understanding that especially among administrative staff (predominantly women) feminist views were seen as unnatural, even counter-productive and that there were only few women with high levels of feminist identity that identified unequal power relations due to their status as women.

A number of incidents were brought up that showed high levels of solidarity with their male superiors and a low degree of appreciation for female teaching staff. One participant even stated that it seemed as if “they were copying the behavioural patterns of their male seniors and applying them to those women that dared to stand out from the crowd”.

In this sense, it became obvious that deviant and non-traditional behaviour was not only little appreciated but it was even punished by dismissive remarks, denial of individual performance or devaluation of one’s accomplishments. Four women stated that these power relations were not openly displayed. Rather they were kept under a cloak of silence and only now and then they came to the fore. Here again, the experimental reality of female academics appeared to be nullified as the following vignette demonstrates:

“I tried to talk to our administrative staff, to make them aware of gender issues, but all I get is a cold shoulder. They ask me what is wrong with me, if I don’t have real problems and genuine work to do. Everything is fine and perfect as it is”.

### **5.3 Implicit and Explicit Biases**

This theme provides a collection of critical incidents and statements that largely fall in the category of microinsults and shows how intentional and unintentional acts of discrimination are guided by perpetrators’ implicit and explicit biases. While stereotypical attribution of characteristics is a common sign of explicit bias, verbal derogation of marginalized groups is an indicator for implicit bias which often resides invisibly in the unconscious of the perpetrator as some introspectively unidentified prejudice.

The first vignette foregrounds a mother of three children that – after giving birth to her third child- was referred to as follows: “There is no more need for her business cards; just throw them away, she has just delivered her third brat, she won’t come again”.

The next one relates to status that a female professor would like to have, just as all her male colleagues and this is what she hears from one of them: “I don’t get you, what is your point? I really would not care about that. This is so not important to me”.

In the following, you can read a comment on a female appointment that was voiced by a male teacher of a school that is composed of 87% of male teaching staff: “What, again a woman? The poor lad has to manage yet another chick.”

The next extract provides evidence of a male teacher’s discomfort when he hears that his female colleagues have bi-weekly “women only” meetings. “What are you women plotting against? I bet this is a conspiracy against us.”

## 5.4 Disciplinary Pecking Order

The last category was found to be particularly interesting since it links gender to disciplines. It came to the fore that disciplines with a high proportion of female professors (social work, sociology, psychology, humanities) seem to be generally rated of lesser value by male and some female colleagues. A number of vignettes supported this assessment such as

“You could have also learned something decent, but you girls always go for social things, helping others and stuff.” or “Haha, research in your field? This is not research; it is stringing words together without any real value”.

What was striking was the fact those women who worked in the hard sciences (e.g. engineering) seemed to deliberately turn a blind eye to microaggressions, even used a number of microinvalidations themselves. It appeared as if they wanted to disguise their femininity for the sake of being perceived as “one of them” as the following extracts demonstrates: “We don’t need anything extra, all those gender-related issues, gender-sensitive expressions and so on; what for? This is all nonsense, we are just like them”.

A similar pecking order was also perceived among the Finnish respondents who claimed that their subject fields tended to be frequently looked down upon by their male colleagues who worked in the hard sciences.

## 6 DISCUSSION

This contribution showed that low-context cultures express gender microaggressions in academia at different levels. While macro-level systemic aggressions are frequently expressed in rather high-context patterns due to internalised societal and institutional historical developments, microinvalidations were found to be a frequent method of demonstrating incomprehension when being confronted with the gender card. The position frequently expressed by male teaching staff that everyone can succeed in our society/institution if only they work hard enough, was a constant reminder of the second-class status of women.

In Austria it was found that microinsults moved beyond the micro realm and their cumulative nature exposed unequal power relations. In Finland, however, which is generally considered as a feminine country (Hofstede et al, 1997) with a much more balanced work-related male/female ratio where equality, compromise, and support from managers with a focus on well-being is foregrounded (Boudreau, 2013), these findings were not supported. On the contrary, in the Finnish focus group interview, three respondents even stated that their male colleagues tended to be downplayed in their higher education institution, which had to do with the greater majority of female teaching staff in the relevant institutions. While the Austrian respondents recalled a number of statements that were directed to them in person by one male individual, the Finnish were more inclined to think that such aggressions happened more in group constellations. This would support the theory that although both countries tend to be low-context cultures, the Finnish are nevertheless higher in context and shy away from too direct derogatory insults.

A common denominator between Austria and Finland was found in what was identified as a “deliberate exclusion of females in male-only power networks”. Another one was seen in the disciplinary pecking order which translated in the fact that especially young women were overlooked or treated in a dismissive way.

Interestingly, the Finnish made a much stronger point in denying or not admitting gender inequalities. They had the overall perception that there was a lacking recognition of microaggressions which may be supported by general societal equality endeavours.

## 7 LIMITATIONS AND OUTLOOK

This section discusses limitations and gives recommendation for future research. One limitation of the study was that the communication culture was not measured within the sample. Both societal and institutional cultures are highly diverse in their communication patterns, which makes it necessary to measure the perception of the communication culture within the sampled institutions to avoid jumping to false conclusions. Another limitation is the lack of substantial background information regarding the institutional culture in terms of gender ratio, hierarchy or size and the fact that the sample was very small.

One possible avenue to obtain a wider set of data is to extend the sample size. This could be done by taking account of the different faculties they work for. Another recommendation for future research is to differentiate between different sample populations (engineers, social scientists, academics working in the humanities).

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# ***Assessing Intercultural Competence in Higher Education: Approach, Analyze, and Act***

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## **ABSTRACT**

The modern wave of globalization has created a demand for increased intercultural competence (ICC) in college graduates who will soon enter the 21st century workforce. Despite the wide attention to the concepts and assessment of ICC, few assessments meet the standards for a next generation assessment in areas of construct clarity, innovative item types, response processes, and validity evidence. The objectives of this paper are to identify current conceptualizations of ICC, propose a new framework for a next generation ICC assessment, and discuss key factors regarding assessment. We will present a new framework based on a process model of social interaction that presents ICC as three stages: Approach, Analyze, and Act. Guided by this framework, we discuss several assessment considerations to translate the framework to an assessment of ICC.

## **1 INTRODUCTION**

The modern wave of globalization, having long overtaken businesses, economics, technology, and transportation, has come to higher education. To compete in the global arena, universities must demonstrate that the institution prepares graduates appropriately for the global workforce. In the last eight years, the U.S. witnessed a 56% increase of international students studying in higher education institutions, resulting in a total of 886,052 additional students for the 2013-2014 school year and generating 27 billion dollars for the US economy (Institute of International Education, 2015). For years, prestigious programs, such as The Fulbright Program, have been sending students and scholars around the world to these higher education institutions to facilitate mutual understanding across countries (Bureau of Educational and Cultural Affairs, 2013). Further, a total of 273,996 U.S. students enrolled in higher education studied abroad in the 2012-2013 academic year (Open Doors, Institute of International Education, 2015). The increased internationalization in higher education institutions alone demands that university students develop intercultural competence skills in order to interact successfully with diverse peers and professors and maximize their collegiate experience.

Being able to communicate and work effectively across cultures has also been identified as a desirable capability by various organizations with global missions (Bikson, Treverton, Moini, & Lindstrom, 2003) and even more important to potential employers than undergraduate major (Hart Research Associates, 2013). Unsurprisingly, intercultural competence (ICC) has been identified as an essential student learning outcome in higher education (Association of American Colleges and Universities, 2011). Accordingly, higher education institutions in the United States and abroad are increasingly concerned with preparing students to be competitive contributors in the global economy, as well as remain competitive in regards to international education and other internationalization efforts (e.g., exchange programs, study abroad



experiences, and marketing targeted towards international students; Scott, 2000; De Haan, 2014). If higher education institutions are to remain relevant, they must take charge of their internationalization and produce graduates that will excel in the global work arena (e.g., Fellows, Goedde, & Schwichtenberg, 2013). Meeting this challenge of producing culturally competent graduates, however, is complicated, by the obstacle of measuring student ICC without which it is impossible to track student development.

Although some higher education institutions do recognize the importance of their students' ICC and its measurement, this recognition has only recently expanded beyond assessing study abroad programs. For example, the At Home in the World: Educating for Global Connections and Local Commitments (AHITW), an American Council on Education (ACE) initiative, is currently undergoing its third year of working with eight higher education institutions to discover how to build capacity for ICC through both internationalization and diversity/multicultural education on campus (ACE, 2016). Accordingly, the Fund for the Improvement of Postsecondary Education (FIPSE) program through the U. S. Department of Education has developed an international learning outcomes ranking document to help institutions prioritize and assess components of ICC (FIPSE, 2016). Higher education institutions can benefit from assessing ICC among all students, not just those that participate in study abroad or exchange programs. U.S. higher education institutions wanting to offer certifications of ICC, as are offered in universities abroad (e.g., Universidad Popular Autonoma del Estado de Puebla (Mexico); Janeiro, Fabre, & Nuno de la Parra, 2014), would require an assessment of ICC.

Given that higher education institutions have identified ICC to be a valuable student outcome and a marketable indicator of student and overall institutional success, it is imperative to develop valid and reliable measures of the individual-level construct in the context of higher education. Such a measure could be used to assess ICC for certification purposes or to assess the quality of various educational experiences in terms of student development. The purpose of this paper is to explore the possibility and utility of assessing ICC for students in higher education. To this end, we review current definitions and challenges for measuring this multidimensional construct. We then propose a theoretical model of ICC to guide the design of a next generation assessment, and describe several measurement considerations and the need for more advanced assessment techniques.

## **2 DEFINITIONS OF ICC IN HIGHER EDUCATION**

A review of the literature revealed a multitude of definitions of ICC. The ICC definitions used in the higher education literature tend to be associated with models used in education, training, and research purposes. These models fall into five categories broadly: compositional, co-orientational, developmental, adaptational, and causal (Spitzberg & Changnon, 2009). Compositional models (e.g., Deardorff, 2006; Hunter, White, & Godbrey, 2006; Ting-Toomey & Kurogi, 1998) merely describe the characteristics (knowledge, skills, and attitudes) of intercultural competence. Co-orientational models (e.g. Fantini, 1995; Kupka, 2008; Rathje, 2007) tend to describe the components or process of a successful intercultural interaction. Individual development of intercultural competence over time is explained in developmental models (e.g., Bennett, 1986; King & Baxter Magolda, 2005). Adaptational models (e.g., Berry, Kim, Power, Young, & Bujaki, 1989; Gallois, Franklyn-Stokes, Giles, & Coupland, 1988) combine the developmental components of aforementioned models and present them in an interactional context of adapting to a foreign culture. Causal path models (e.g., Arasaratnam, 2008; Deardorff, 2006; Griffith & Harvey, 2000; Hammer, Wiseman, Rasmussen, & Bruschke, 1998) attempt to integrate the characteristics of compositional models and situate them in an interaction in which variables influence each other to predict ICC.

A recent review of intercultural competence, focusing on research across multiple contexts (Leung, Ang, & Tan, 2014), presented another system of grouping ICC models, which differentiated between models that include intercultural traits, intercultural attitudes and worldviews, and intercultural capabilities, or some mix therein. Intercultural traits refer to stable personality traits that drive likely behavior, and they commonly include openness to experience and tolerance for ambiguity. Intercultural attitudes and worldviews refer to constructs involving the perception and evaluation of information from outside an individual's own culture. Lastly, intercultural capabilities refer to anything that a person can do, think, or know that will allow them to interact successfully in an intercultural situation. Neither scholars in the field of ICC nor higher education administrators have reached a consensus regarding the definition of ICC and underlying dimensions.

### **3 DISCREPANCIES IN DIMENSIONAL MODELS OF ICC**

This variability in content of the models and dimensions included in the ICC framework presents several challenges. First, it reduces the conceptual clarity as some models include, as core components, factors that are excluded or treated as enablers (i.e., precursors or traits which support the development or expression of cross-cultural competence) in other models. For example, tolerance for ambiguity refers to the ability to make progress despite high levels of uncertainty and complexity and the recognition that a single "right" way might not exist (Bird, Mendenhall, Stevens, & Oddou, 2010). While tolerance for ambiguity is undoubtedly relevant to ICC, some measures include it in their definitions (e.g., Deardorff, 2006; Gudykunst, 1993) while others do not (e.g., Byram, 1997). Second, in addition to reducing the conceptual clarity of ICC these discrepancies complicate specifying ICC's nomological network (i.e., the constructs to which ICC has been theorized or empirically demonstrated to relate). Specifically, existing literature has yet to distinguish constructs belonging in the ICC framework with its correlates. This lack of clarity makes construct validation difficult. Constructs such as global mindedness, broadmindedness, cosmopolitanism, and global identity provide a prime example—because these constructs themselves have been loosely and variably defined, it can be challenging to determine which is a subfacet of ICC, and which belongs to its nomological network. Third, several constructs demonstrate significant overlap with ICC—most notably the global leadership construct (Bird et al., 2010)—and the existing literature has yet to fully delineate where one ends and another begins (Bücker & Poutsma, 2010). In sum, establishing construct validity for ICC is a less straightforward task than it is for other, less complex concepts. Any new model of ICC attempting to address these concerns should meet the following criteria: 1) provide specific definitions of the overall construct and its subdimensions, 2) include both cognitive and noncognitive components, and 3) clarify the relationship between subdimensions. To date, many of the models of ICC do not meet the above criteria.

### **4 ICC SELECTED-RESPONSE ITEM TYPES**

#### **Likert-scale items**

Most ICC assessments attempt to capture components of ICC using self-report Likert-items. Likert-scale items typically ask the respondents to rate their agreement with a given statement on a scale that ranges from one extreme to another (e.g., "strongly agree to strongly disagree" is the most commonly used response format). Some assessments use anchors that directly ask the respondent to assess themselves on a particular skill. For example, the Assessment of Intercultural Competence (AIC; Fantini, 2009) uses: "I adjusted my behaviour, dress, etc., as appropriate, to avoid offending my hosts." Another variation across ICC assessments with Likert-scale items is the number of response categories or points on the response scale. Most

assessments use a five-point Likert-scale, while others range from a four-point scale to a seven-point scale.

### **Multiple-choice items**

To directly measure the knowledge components of ICC (i.e. language and cultural knowledge), multiple-choice items are typically used, such as in the Global Awareness Profile (GAP; Corbitt, 1998) and the Global Competence Aptitude Assessment (Hunter, White, & Godbey, 2006). These assessments differ in that some multiple-choice items assess cultural knowledge that is general or global, while others assess knowledge that is specific to one culture. An example of a global culture item included in the GAP is the following:

What is the world's largest spectator sport?

- A. Basketball
- B. Baseball
- C. American Football
- D. Soccer

In addition to cultural-general knowledge, the GAP uses multiple-choice items to assess knowledge of the environment, politics, geography, religion, and socio-economics of six regions (Asia, Africa, North America, South America, the Middle East, and Europe) around the world. In contrast, the Global Competence Aptitude Assessment (Global Leadership Excellence, 2010) utilizes multiple-choice items to assess cultural-specific ICC. A sample item is, "When doing business with a colleague from Saudi Arabia, one must first..." Based on the norms of the culture and context of the situation described, the examinee selects the most appropriate response from a list of choices.

### **Implicit association items and q-sort methodology**

Less common item formats that have been employed to assess the attitudinal component of ICC include implicit association items and the q-sort methodology. Implicit association items typically capture how strongly a test-taker relates two mental representations, or concepts, by measuring the response time (latency) for making the correct association (Greenwald, Poehlman, Uhlmann, & Banaji, 2009). This assumes that the faster a test-taker matches an object to a concept, the stronger the relationship. An example of an implicit association test, the Tests of Hidden Bias assesses negative prejudices towards various ethnic groups by presenting examinees with a photo of a White/Caucasian face next to an African-American face on a computer screen and requiring the participant to quickly select the "good" or "bad" photo. Because in this case there is no correct association per say, "faster responses for the {Black+positive/White+negative} task than for the {White+positive/Black+negative} task indicate a stronger association of Black than of White with positive valence" (Greenwald et al., 2009, p. 18). Such implicit association tests have been criticized as being too specific to the context of the United States, a country in which race has historically been conceptualized with a black/white dichotomy. In response, other implicit association tests have been developed specific to other cultures (e.g., A Romanian IAT; Bazgan & Norel, 2013).

Q-sort is another item type that has been used in ICC assessments. The q-sort methodology has been used in many areas of psychology and involves subjects rank ordering subjective concepts. The Intercultural Communication and Collaboration Appraisal (ICCA; Messner & Schäfer, 2012) diagnostic framework utilizes the q-sort methodology that requires examinees to sort cards (or concepts if administered online), in response to a given prompt. The ICCA

includes two q-sorts. The first sorting consists of the examinee sorting 48 attitudes, behaviors, and beliefs in order from most descriptive of him/herself to least descriptive. The second q-sort involves the examinee selecting the most important six intercultural competencies from a given twelve competencies and ranking them in order of importance.

### **Situational judgment tests**

Another less common method of assessing ICC is the situational judgment test (SJT). SJTs aim to measure an ability or competency based on the participant's choice of response to a hypothetical situation. After reading a few sentences representative of a real-world situation, participants then select the appropriate response option of the presented set or respond to an open-ended prompt. Most of the SJT prompts focus on behavioral and knowledge components. Prompts such as "What would you do?" require the participant to indicate the behavior they would most likely engage in from a series of potential actions (Whetzel & McDaniel, 2009). The options are often scored on a scale of most effective behavior, neutral, and ineffective behavior to produce a composite score for the SJT. Knowledge prompts such as "What is the best answer?" require the participant to choose the correct answer in the given situation. Sometimes participants are required to rank the responses in order of most effective to least effective (Whetzel & McDaniel, 2009). According to a recent meta-analysis, SJTs demonstrate substantial criterion, content, and face validity (Whetzel & McDaniel, 2009). For example, McDaniel, Morgeson, Finnegan, Campion, and Braverman's (2001) meta-analysis generated an adjusted correlation of .34 between SJTs and job performance, supporting criterion-related validity of SJTs in general.

However, due to the multidimensional nature of many SJT items, they typically have low internal consistency as indicated by Cronbach's alpha. Given this reason, experts recommend the use of parallel forms or test-retest reliability when examining the reliability of SJT items, instead of using Cronbach's alpha (Whetzel & McDaniel, 2009). Applicants typically express positivity towards this type of test (Lievens, Peeters, & Schollaert, 2008). Moreover, this test type, by assessing intentions, captures more direct indicators of behavior and is well suited to measure skills. Regardless, scores on these items are still not immune to inflation by practice effects and participant deception.

Only a few examples of SJTs exist relevant to ICC context. The *Cultural Intelligence Assessment* (Thomas et al., 2015) asks test takers to choose among a set of behaviors to indicate which one they believe to be the most correct choice for a given scenario. Participants are asked to complete 14 questions designed to measure cultural knowledge, skills, and meta-cognition. Another SJT, designed to measure cross-cultural social intelligence (CCSI; Ascalon, Schleicher, & Born, 2008), asks participants to rate the likelihood that they would perform each of four behavioral options in response to a series of cross-cultural scenarios. The four options fall into specific categories (i.e., non-empathetic, non-ethnocentric; non-empathetic, ethnocentric; empathetic, non-ethnocentric; and empathetic, ethnocentric), allowing for the creation of two subscales: empathy ( $\alpha = .61$ ) and ethnocentrism ( $\alpha = .71$ ). Coefficient alpha for the overall scale was  $\alpha = .68$  (Ascalon et al., 2008).

The CCSI is an example of an SJT measure relevant to ICC that demonstrates evidence of relationships with conceptually related constructs such as cognitive ability (i.e., GMAT;  $r = .30$ ) and personality constructs (Ascalon et al., 2008). The GMAT has been shown to have adequate reliability (i.e.,  $\alpha = .92$  for the test as a whole). Specifically, the relationship between the CCSI scores and 3 of Goldberg's (1999) International Personality Item Pool (IPIP) subdimensions (conscientiousness, emotional stability, and openness to experience) averaged around  $r = .30$ . The IPIP also demonstrates adequate overall internal reliability ( $\alpha = .80$ ). The

CCSI itself has somewhat low reliability (i.e.,  $\alpha = .68$  for the overall,  $\alpha = .61$  for the empathy subscale, and  $\alpha = .71$  for the ethnocentrism subscale), but these coefficients are roughly similar to other SJT studies (Chan & Schmitt, 1997). Combined, the evidence of internal consistency and convergent validity, this evidence was taken as a strong indicator of the initial validity of both the measure and the use of SJTs to assess ICC. To the extent of our knowledge, however, no SJT specific to ICC presents evidence of criterion validity (Ascalon et al., 2008).

## **Reliability and Validity Evidence**

The review of the reliability evidence of existing ICC assessments suggested no major issues with reliability at the total test level. However the subscale scores of some measures of ICC are unsatisfactory ( $\alpha < .70$ ). As subscale scores are usually reported for diagnostic purposes (e.g., when used as a training tool), unreliable subscores may result in inaccurate diagnoses and, therefore, provide misleading information for score users. Unreliable subscales suggest that error will contaminate different facets unequally and reduce the quality of a development plan constructed based on scores. Further, it would be difficult to validate ICC training interventions when some subscale scores randomly fluctuate.

Unlike the reliability evidence, the quantity and quality of validity evidence varied significantly among existing ICC assessments. About half ICC assessments report validity evidence regarding internal structure, about half reported evidence regarding the relationship with related constructs, less than one-third reported evidence regarding the relationship with related criteria, and few assessments reported all three aspects of validity evidence. In addition to quantity, the quality of some available validity evidence was also unsatisfactory. For instance, the hypothesized internal structure of some assessments were not supported by the data, which raised questions in subscale score reporting. The relationships between some ICC assessments and their related measures were also poorly estimated due to the low reliability of the tests.

In general, stronger validity evidence was available for some assessments developed after 2000 (e.g., the Cultural Intelligence Scale and the Intercultural Development Inventory) and the assessments developed by organizations (e.g., the Cross-Cultural Adaptability Inventory). However, for most assessments developed 20 or 30 years ago or developed by independent researchers, relatively insufficient validity evidence exists. This lack of validity evidence may be attributable to limited resources (i.e., financial support and/or available statistical packages), but may also reflect an outdated approach to validity. After Messick (1995) described validity as a single construct comprised of various types of evidence, the importance of gathering different aspects of validity evidence to support test score inferences has been gradually acknowledged by test developers. Although more validity research has been conducted in recent years, one aspect of validity evidence that is still often missing is the evidence regarding the relationship with criteria. This holdover may explain the prevalence of validity evidence limited to a single type. In keeping with Messick (1995), no priority to any type of evidence was given; however, the particular lack of criteria-related evidence should be highlighted. Very few measures were related to any sort of accepted criteria. Therefore, future validity research should be encouraged to gather criteria information to clarify to what extent the scores from an ICC assessment predict test takers' authentic skills to communicate and work across cultures. Criteria-related evidence is particularly convincing in terms of investment—if a strong argument is to be built for higher education to invest in the development of these skills, then persuasive evidence of their relationships to valued outcomes will be the best foundation.

## **Challenges in Designing an ICC Assessment**

Self-report measures are a versatile tool suited for capturing attitudes and declarative knowledge (Gabrenya, Griffith, Moukarzel, Pomerance, & Reid, 2012). For the assessment of ICC, however, sole reliance on self-report measures presents several challenges. First, it may be confounded with student experience levels. The typical young adult will have limited exposure to multicultural environments and less experience reflecting upon the skills and behaviors which comprise ICC. Thus, items which rely on previous experience (i.e., any past tense items) may be adversely impacted by the lack of exposure. Other confounds include cognitive biases, in particular future-oriented optimism (e.g., Bazerman, 1990), which may further complicate self-report as students respond to items based on their most idealistic self. Additionally, self-report items may be inappropriate for assessing interaction tendencies and other ICC skill components.

Moreover, while the current self-report assessments seem to reliably measure the attitudinal components of ICC, faking behaviors may present an additional challenge for self-report measures (Likert-scale responses). The tendency for respondents to deliberately provide inaccurate responses or self-descriptions to make oneself appear more attractive, interesting, or valuable (faking) is a critical concern in self-report attitudinal measures, such as those on ICC assessments.

## **Culture-specific versus Culture-general Knowledge**

A known challenge to assessing the knowledge and skills associated with ICC is that they can be context-dependent. For example, cultural knowledge is often situated in a specific culture and may require specific language skills. However, assessing ICC within a specific culture may be unfeasible as an individual may come into contact with a number of different cultures within one's lifetime. As a result, it may be preferable to assess culture-general knowledge or knowledge that is useful in interpreting, coping with, and adapting to cross-cultural interactions. That is, instead of being knowledgeable about the cultural norms and practices of a particular country or region, the more desirable approach may be to assess individuals' recognition that a new situation may be influenced by cultural differences. This recognition is largely developed through a cultural schema, which is a mental structure, framework, or system that is used to understand how personal background, values, and beliefs impact cross-cultural interactions (Brenneman et al., 2016). This cultural general position has also gained ground in the cross cultural training literature (e.g., Brandl & Neyer, 2009). Thus, scenario-based items may be more appropriate than self-reported items, which is an issue discussed in the next section.

## **Capturing the Interactional Component of ICC**

One of the challenges of assessing ICC is that the construct is composed of attitude, knowledge and skill subdomains that require an interaction to be assessed. As an example, an individual may have to realize that s/he is in a situation where cultural differences may be influential, hypothesize how the situation is going to unfold, decide how to behave, and take a course of action (Brenneman et al., 2016). Such an interaction is dynamic in nature and must be simulated through a scenario. However, building such scenarios require a heavy expenditure of resources, complete with high development costs and overhead. While, video- or avatar-based simulations represent one alternative to in-person simulations, they too require a substantial investment of time and money, often rendering them an impractical substitute. An additional option could be to use situational judgment tests. This method of assessment has been attempted in the Cultural Intelligence Assessment (Thomas et al., 2015) but limited

validation evidence prevents firm inference on the use of this technique. Moreover, some scholars argue that even a simulated scenario fails to mimic the dynamic nature in which ICC is negotiated between two or more parties. As a result, assessing the real-world dynamic of ICC is a great challenge that requires creativity in item development, particularly when considering practical constraints.

## **A Proposed Framework for ICC in Higher Education**

Synthesizing the empirical research (e.g., Abbe, Gulick, & Herman, 2007), we propose a framework and operational definition to serve as the basis to develop a new assessment of ICC. We propose a new framework here for several reasons. First, many existing frameworks do not offer insights on how to translate the theoretical definitions into actual assessments, which may have contributed to difficulty in accumulating validity evidence. The proposed framework aims to provide an elaborated discussion of assessment considerations that may better guide the development of an operational assessment. Second, academic experts on ICC remain divided, such that many existing models have no wide-spread support outside of their own particular camps of researchers. This tendency is apparent in the trend for ICC validity evidence to be collected primarily by those whose names are attached to the development of the assessment (e.g., Ang et al., 2007). Third, developing a new model provides the opportunity to tailor it to the purpose of the assessment and its target population (i.e., relevant to higher education), focusing on malleable skills and excluding components that are less directly related to successful achievement of intercultural goals. More importantly, generating a new model creates the opportunity to address various concerns regarding construct validity discussed in the Discrepancy section above. For example, we theorize that the ability to acquire declarative cultural knowledge is less predictive of success than the ability to *apply* relevant cultural knowledge during an intercultural interaction. Thus, we propose the following framework.

To begin, we draw on a definition from prior research that ICC “reflects a person’s capability to gather, interpret, and act upon these radically different cues to function effectively across cultural settings or in a multicultural situation” (Earley & Peterson, 2004, p. 105). Next, we propose a framework that builds on a process model of social interaction by splitting cross-cultural interactions into three stages and specifying the skills necessary to support successful performance in each stage; these stages are *Approach*, *Analyze*, and *Act*. The Approach dimension refers to the characteristics that impact the likelihood that an individual will initiate and maintain intercultural contact voluntarily as well as those traits that will define the overall positivity with which an individual responds to cross-cultural interactions. These characteristics include: a positive cultural orientation, a tolerance for ambiguity, and self-efficacy. The Analyze dimension captures an individual’s ability to take in, evaluate, and synthesize relevant information without the bias of preconceived judgments and stereotyped thinking. The Analyze dimension includes the following traits: self-awareness, social monitoring, perspective taking/suspending judgment, and cultural knowledge application. The Act stage incorporates the behaviors determined by the previous stage to assess individuals’ ability to translate thought into action while maintaining control in potentially challenging and stressful situations. The Act dimension includes behavioral regulation and emotional regulation. The following sections provide more detail about the nature of each trait and skill.

### **Approach**

As specified above, this dimension includes: a positive cultural orientation, tolerance for ambiguity, and cultural self-efficacy. While similar to a general positive attitude towards intercultural situations, a positive cultural orientation is a consolidated representation of several

related concepts in the literature. These concepts include cosmopolitanism (i.e., reduced ethnocentrism; Beechler & Javidan, 2007; Levy, Beechler, Taylor & Boyacigiller, 2007), open-mindedness (Terrell & Rosenbusch, 2013), inquisitiveness (Black, Mobley, & Wheldon, 2005), as well as curiosity and respect for other cultures (Beechler & Javidan, 2007). Evidence also suggests that such orientations or attitudes can be changed (Ajzen, 2001). For example, global leadership development programs have been found to foster open-mindedness through participants' genuine curiosity and an attitude of discovery and exploration (Terrell & Rosenbusch, 2013). Therefore, it is possible to conclude that positive cultural orientation is not only malleable but could also predict competencies similar to ICC, such as intercultural sensitivity and global leadership effectiveness (Cushner, 1986; Terrell & Rosenbusch, 2013). The second component of *Approach*, a tolerance for ambiguity, is repeatedly identified as essential to ICC due to the innate nature of interacting with individuals from different cultural backgrounds (e.g., Caligiuri & Tarique, 2012). Differences in behaviors, assumptions, communication, and the resulting inability to anticipate potential situations all contribute to the ambiguous nature of intercultural interactions (Lane, Maznevski, & Mendenhall, 2004). Individuals who can tolerate ambiguity not only function effectively in spite of stress (Caligiuri & Tarique, 2012), but also will be less negatively impacted by the stress of the intercultural interaction and more likely to remain engaged and even seek out these situations. Therefore, due to the innate uncertainty associated with cross-cultural interactions, a tolerance for ambiguity comprises an important element of the first stage in ICC.

Cultural self-efficacy comprises the last aspect of *Approach*. Self-efficacy influences the challenges an individual chooses to engage in and his or her attitude towards them. For example, an individual with high self-efficacy in intercultural situations believes that he or she can develop a strong rapport with someone from another culture. Because of this perception, he or she is more likely to initiate and engage in interactions that require development of rapport with culturally different others. In this way, an individual's level of ICC in part depends on the individual's evaluation of his or her own abilities.

## **Analyze**

This dimension includes self-awareness, social monitoring, suspending judgment, perspective taking, and cultural knowledge application. Self-awareness requires individuals to consider themselves as both an individual and member of their own culture. Highly self-aware individuals are capable of dissecting their worldview to identify the influences of their personal history as separate from the influences of their culture, and understand that different backgrounds will have different worldviews (Reid, 2012).

Social monitoring includes the ability to infer social norms, hierarchies, and interpersonal relationship networks (e.g., Lodder, Scholte, Goossens, Engels, & Verhagen, 2016). Evidence from neuropsychology suggests that we use social cues, such as expressions, as information to evaluate our performance (Boksem, Ruys, & Aarts, 2011). In the absence of familiar norms, then, social monitoring can provide necessary information to supplement missing native knowledge and evaluate the success of one's chosen course of action, making it a necessary skill for engaging in novel cross-cultural situations.

Suspending judgment and perspective taking are two complementary skills that involve processing situational information without a heavy personal bias. An individual who suspends judgment removes his or her stereotyped or heuristic thinking; perspective taking replaces these thought patterns with effortful cognitions regarding the other person's viewpoint, motivation, and assumptions. In doing so, individuals reduce their reliance on their own cultural schema in order to act on their understanding of a cultural other's viewpoint.



Cultural knowledge application requires individuals to consider a broad range of information including cultural general information (e.g., cultural value dimensions; Hofstede, 1980), cultural-specific information (e.g., French greetings), and historical as well as geopolitical information (e.g., the trends of power and privilege; Hammer, 2012). This skill explicitly refers to the ability of individuals to actively seek and utilize cultural information in their evaluation and decision making processes.

## **Act**

This dimension includes behavioral regulation and emotional regulation. Behavior regulation is essential to ICC because behavioral patterns considered normal in one culture may be inappropriate in cross-cultural situations. Individuals skilled at behavioral regulation would be able to suppress any familiar behaviors inappropriate to the cultural context, generate the appropriate behavior for that situation, or perhaps choose to not engage in any behavior at all (e.g., Ang et al., 2007).

Emotion regulation allows individuals to control which emotions they experience, how and when they experience them, and how and when they are expressed (Gross, Salovey, Rosenberg, & Fredrickson, 1998). Because cross-cultural experiences are inherently emotional (e.g., Haslberger, Brewster, & Hippler, 2013; Shaffer, 2012), evidence has suggested that individuals with strong emotional regulation abilities can act more effectively in cross-cultural situations than those without emotional regulation abilities (Haslberger, Brewster, & Hippler, 2013).

The current model aims to meet the particular construct validity challenges of ICC and the criteria highlighted previously in the Discrepancy section. First, this model is grounded in a definition of ICC that offers more clarity and distinguishes it from similar constructs, such as global leadership. Second, the model demonstrates comprehensiveness in two ways: the foci of each dimension's assessment were informed by skills encompassed in other frameworks (e.g., Reid, 2012). The model also expands the comprehensiveness of ICC by including cognitive and noncognitive elements. Third, this new model addresses the need to clarify relationships between dimensions. For example, despite strong validity evidence, the equally comprehensive Cultural Intelligence model (Ang et al., 2003) lacks theoretical explanations of the interplay between subdimensions. By basing the current model off a social process model, we highlight the dependent nature of the subdimensions, implying a loose sequential relationship in which success in a later stage is dependent on the outcomes of an earlier stage. In sum, the present model meets the three criteria (definition clarity, comprehensiveness, and subdimension relationship clarity) called for in the ICC literature.

## **5 CONCLUSION**

ICC has been identified as a critical life skill likely to predict success in the 21<sup>st</sup> century workforce. As universities begin to explore expanding traditional models of learning outcomes and emphasize these life skills, there is a need to assess whether students possess these critical competencies. In addition assessments are needed to determine whether the abilities and skills underlying ICC improve during the university tenure of the student. Unfortunately the current state of measurement of ICC leaves much to be desired for several reasons. First, there seems to be little consensus regarding the requisite skills and abilities that contribute to ICC. Second, the measurement of ICC has over-relied on self-report methods that do not adequately cover the entire spectrum of the construct. Specifically, existing measures often tap self-referent cognitions, without adequately capturing the affective and behavioral aspects that are

inherent in intercultural interactions. Finally the psychometric properties of existing measures leave much room for improvement. While the reliabilities of existing measures meet professional standards, a relatively small number of studies provide evidence relating scores to other constructs, and even less provide evidence that the measures are related to outcomes of interest.

The three-pronged framework provided in this paper, Approach, Analyze, and Act, is broad enough to cover important ICC construct domains, but also specific enough to result in clear operational definitions that can be used to guide the design of an ICC assessment. First, the framework assumes that ICC is an interactive process rather than treat the construct as static. Second, the proposed framework follows this process through attitudinal, cognitive, and behavioral interactions that would likely occur in social cross-cultural communications. Finally the framework is presented in a parsimonious fashion that enables clear interpretation of data that may result from a measure developed based on the framework. In addition to proposing a new framework, we suggest more innovative and interactive methods of assessing ICC that steer clear of self-report. These methods have potential to improve the measurement of what has been an elusive construct, as well as make the assessment experience enjoyable and insightful for students. It is our hope that the work presented this paper will spur further discussion and examination of the ICC construct. In addition we hope this continued discourse ultimately results in an operational measure of ICC that can assist higher education institutions in preparing a new generation of culturally competent global citizens.

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# ***Interdisciplinary International Discussion Club as a Tool of Students' Intercultural Competence Formation***

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## **ABSTRACT**

The project of an international discussion club appeared as a form of extracurricular activities very closely linked to the program of the course "History and architecture of Saint Petersburg" for international students willing to learn more about the city they came to. Originally the course was aimed at international students being able to speculate in English about the history of Saint Petersburg since the foundation of the city and until nowadays, recognizing the main architectural styles from Petrine baroque to contemporary architecture. The course provided students with the basic understanding of Russian culture, traditions, literature, national cuisine, Russian and soviet actuals. The course has been improved every semester by adding more interactive methods of education: projects, outside seminars, photo-crosses around the centre of the city and field trips. Last year the questionnaire annually given to students showed their frustration connected to the lack of communication in Russian with Russian students. The existence of such problem may be connected to drawbacks in educational process organization and tension in political relationship between Russia and some of the students' home countries. The image of Russia provided by mass media prevented some students from initiating communication with Russian students. On the other hand, the poll run among Russian students of technical disciplines showed their willingness to communicate with foreign students, learn more about other cultures. We see the international interdisciplinary discussion club as a means of solving both problems. Most of the activities of the club are based on team work of Russian and international students. Discussions are being held in two languages (Russian and English) in cosy and relaxing atmosphere. The teaching methods used are aimed at increasing the amount of international collaboration between students of different countries: case method, mini-projects, problem solving.

## **1 INTRODUCTION**

The changes happening rapidly in Russian higher education have been to a great extend influenced by the Bologna Process Russia entered in 2003. As we see it, the idea of the same structure of higher education and opportunities for students' studying abroad brought Russia to a new level and led to significant changes in education methods and approaches. The difference between Russian and European education systems became evident and needed to be smoothened. "Old school" methods did not meet the new requirements and needed to be changed. In most researches the following main trends in Russian higher education after entering the Bologna Process are outlined:

- (1) Adopting a system of comparable documents on higher education, including the introduction of a single application form to the diploma for graduates in Europe.
- (2) Transition to a two-level (Bachelor, Master) higher education system and further the three-level system (Bachelor, Master, PhD); implementing a system of credits that can be easily transferred (European Credit Transfer System - ECTS)
- (3) Promoting academic mobility of students, free access to all educational services and expanding opportunities for teachers and researchers to participate in European research and education; cooperation in quality assurance with a view to developing

comparable criteria and methods. Evaluation will be based not on length or content of courses, but on the knowledge and skills that graduates have acquired.

A common opinion is that the increase of the amount of intercultural communication brings both Russian and foreign students nothing but benefits, but this can be true only as long as both sides are ready for this communication. As a result of constantly changing political situation foreign students face a wide range of problems connected to the process of adaptation to life and education in another country. This process appears to be complicated in any country, furthermore, the cultural differences of local and foreign students make it even harder. Russian students' problems are mostly connected with the language barrier [4].

Surprisingly, after years of observation we can say that many Russian and foreign students are facing problems connected to being able to communicate orally in any language. It appears, that some communication strategies, the skills of brainstorming, summarizing, arguing and formulating ideas were either forgotten or never learned by some students. Last year the questionnaire annually given to students showed their frustration connected to the lack of communication in Russian with Russian students. The existence of such problem may be connected to drawbacks in educational process organization and tension in political relationship of Russia and some of the students' home countries.

This establishes several aims for teachers apart from providing foreign students with knowledge. This aims are:

- (1) Finding the most effective ways of students' communicative and intercultural competence formation [5].
- (2) Organizing effective integration between students' class activities and extracurricular activities.
- (3) Creating opportunities for international cooperation between Russian students and foreign students.

Intercultural competence is the ability to communicate effectively and appropriately with people of other cultures. This competence includes being aware of other culture's valued rules, norms, expectations [1].

## **2 PROBLEMS AND SOLUTIONS**

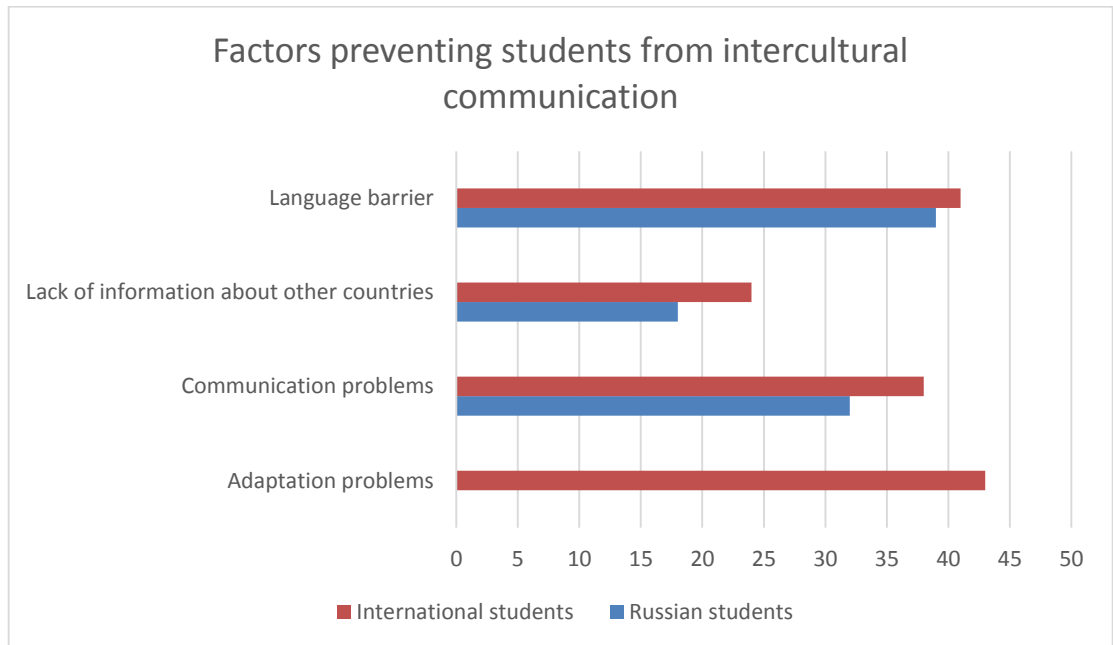
In order to find out the level of readiness of foreign students to live in Saint Petersburg 50 students from different countries were given a specially developed cultural quiz, which consisted of 50 questions and included questions about: Russian history and culture, everyday life in Saint Petersburg, Russian language and slang, Russian and Soviet Union realia. The quiz for foreign students contained questions like: "You are lost in the city and want to ask the way. Who is more likely to speak good English: a teenager, a middle age man, an elderly lady?" Another example of questions from the quiz is: «You are in the subway in a very crowded train. You are standing close to the doors and somebody from behind touches your shoulder and asks something in Russian. What do you think it is?»

At the same time 50 technical students were given a cultural quiz that contained questions about life in other countries, their culture, holidays, language and traditions.

The quiz included questions like: «What is a bad gift for your Chinese friends: white chrysanthemums and an egg-shaped clock, an amber necklace, a Matreshka doll and Russian caviar» or «For what holiday do Americans traditionally cook turkey?»

The results of both quizzes were surprisingly low. The average result of foreign students was 23 right answers out of 50 and Russian students appeared to know other cultures even worse (18 right answers out of 50).

Such results brought us to the conclusion that the level of both Russian and foreign student's intercultural competence has to be improved and an international discussion club is an effective tool to do it. Intercultural competence means not only the knowledge about other countries' culture and traditions, but also the ability to perform effective intercultural communication with foreigners.



**Figure 1.** Factors preventing students from intercultural communication

The poll run among Russian and international students (see Figure 1) helped us to figure out the main factors preventing students from intercultural communication:

- (1) Language barrier
- (2) Lack of information about other cultures
- (3) Communication problems
- (4) Adaptation problems: generation gap, technology gap, skill interdependence, formulation dependency, homesickness (cultural), infinite regress (homesickness), boredom.

Taking this factors into consideration, we move on to describing the project of the international discussion club used as a tool to stimulate and correctly organize intercultural communication.

### 3 INTERDISCIPLINARY INTERNATIONAL DISCUSSION CLUB

Nowadays in universities and schools, libraries and language centres appear discussion clubs run in various foreign languages. As a rule, most common types of discussion clubs fall into one (or several) of the following categories:

- (1) Discussion club supervised by a native speaker.
- (2) Debate club, where the sessions are organized according to the rules of a popular active method used in Russian education system, called “debate”.



(3) Foreign movie discussion club, based on Russian students watching a movie in a foreign language and discussing it all together.

(4) Mixed discussion club, including both Russian and foreign students.

(5) Book club.

All of these types of clubs have their strengths and weaknesses. Our main aim was to organize the interdisciplinary international discussion club so that it takes all the strong points from different types of existing clubs. The main weakness of all of these clubs is that:

(1) Each of them is usually based on only one way of discussion (debate, free discussion, discussion in pairs)

(2) The sessions always take place in the classroom and never outside

(3) Teamwork and project work is usually not used

(4) Discussions are run in one language only.

In the organization of international interdisciplinary discussion club in our university our objective was to keep the strengths and fight the weaknesses of other clubs.

Before describing the project of the club it is important to define the notion "interdisciplinarity", that plays a very important role in the main idea of the club. Going back in history, interdisciplinary research started to gain popularity in the Soviet Union in 1960s as a result of the decrease of social tension after the death of J.V. Stalin. Researchers tried to be more flexible in their methods and study different problems using the scope of different disciplines. Interdisciplinarity in education can be seen as the state of one discipline studying process involving material from two or more academic, scientific, or artistic disciplines. Interdisciplinary/cross-curricular teaching provides a meaningful way in which students can use knowledge learned in one context as a knowledge base in other contexts [4,3].

The project of an international discussion club appeared as a form of extracurricular activities very closely linked to the program of the course "History and architecture of Saint Petersburg" for international students willing to learn more about the city they came to. Originally the course was aimed at international students being able to speculate in English about the history of Saint Petersburg since the foundation of the city and until nowadays, recognizing the main architectural styles from Petrine baroque to contemporary architecture. The course provided students with a basic understanding of Russian culture, traditions, literature, national cuisine, Russian and soviet actuals. The course has been improved every semester by adding more interactive methods of education: projects, outside seminars, photo-crosses around the centre of the city and field trips. The image of Russia provided by mass media prevented some students from initiating communication with Russian students. On the other hand, the poll run among Russian students of technical disciplines showed their willingness to communicate with foreign students, learn more about other cultures. We see the international interdisciplinary discussion club as a means of solving both problems. Most of the activities of the club are based on team work of Russian and international students.

In order to find out the most interesting, useful and appropriate topics for discussion, a poll has been conducted. Two groups of international students from Germany, Belgium, Sweden, Finland, France, China, Spain and the USA (36 people) and 2 groups of Russian students (40 people) were asked to choose 3 topics they would like to discuss during the meetings of the club.

The main categories of topics chosen by students:

(1) Intercultural communication (National stereotypes, interesting traditions)

(2) Architecture and history of Saint Petersburg (Modern-looking buildings in the centre of Saint Petersburg: to build or not to build, Famous foreigners in Saint Petersburg)

(3) Everyday life (Students' life in Russia and other countries, generation gap)

- (4) Science (The craziest theories in the history, Big Bang Theory show: helpful or destructive for students' minds)

In order to give students opportunity to practice foreign languages the separation of languages is organized with the help of two separate tables: an "English-speaking table" and a "Russian-speaking" one. That gives the opportunity both for foreign and Russian students to choose the language they are more comfortable speaking. Changing tables is welcome during all the discussion.

One of the most successful, according to the authors' point of view, examples of international teamwork was during a quest around the centre of the city. The teams were formed in such a way, that neither Russian students, nor foreign students were originally from Saint Petersburg and familiar with the places they had to find with the help of the hints given in Russian and in English. The quest was planned and supervised by history and language teachers and can be seen as a good example of both students' and teachers' effective cooperation. All in all 4 Russian-international teams took part in this activity and all of them successfully fulfilled the task in the given amount of time (1,5 hours). After the quest all students were asked about their impressions and practically all of them believed it was an effective and informative team-building exercise. It helped them make new friends, orient better in Saint Petersburg, use and share the information they learned during the history course and practice their research skills. The photos they took were also great souvenirs from Saint Petersburg. That is why we can assume, that this activity fulfilled all the main aims of the club: 1. providing Russian students with English practice and foreign students with Russian practice; 2. increasing the level of students' knowledge in history and architecture of Saint Petersburg; 3. stimulating students' intercultural competence formation and international cooperation skills.

## 4 CONCLUSION

To sum up, international communication has long been the subject of language teachers and scientists' research. At the point when most of the specialists in this area assumed that the main problems connected to it have been solved, new ones started to appear. The problems discussed in this article are connected not only to "intercultural communication", but to "communication" in general. Technological progress leads to the lack of oral communication and, consequently, the students being unable to use communication strategies and produce effective team-work. Political instability and the images of foreign countries students get from mass media, adaptation problems and language barrier tend to prevent them from initiating intercultural communication with one another. The interdisciplinary international discussion club proved to be an effective measure to improve the situation and join the three components of a successful extracurricular activity:

- (1) Education
- (2) Cooperation
- (3) Relaxation

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# ***Higher Education Leadership – Current Practices and Challenges in Austria and Britain***

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## **ABSTRACT**

Current research studies in different national contexts show evidence to suggest that higher education (HE) manager-academics face multi-faceted requirements and that a distributed leadership approach contributes to successful leadership on a personal and organisational level. This paper analyses how leadership practices and approaches at Higher Education Institutions (HEIs) in Austria and the UK meet current challenges present in the European higher education landscape and seeks to investigate and illustrate perceived roles and skills essential in higher education leadership. Findings reveal food for thought on how leadership and leadership development could be enhanced in the explored context.

## **1 INTRODUCTION AND BACKGROUND**

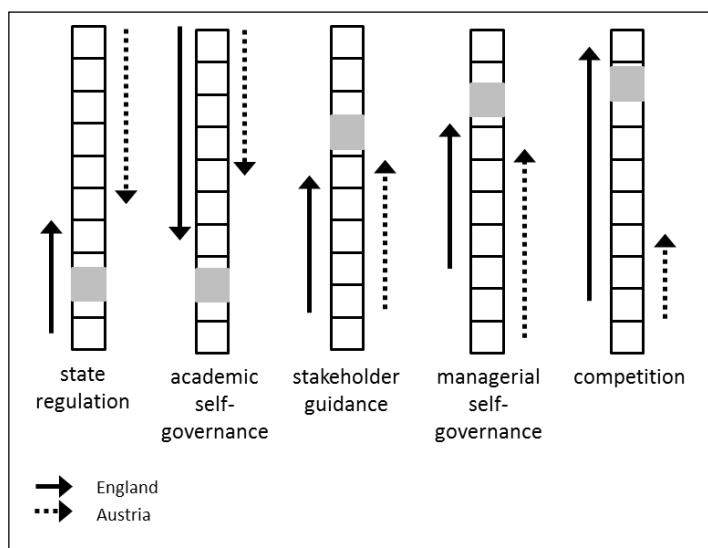
The highly dynamic Higher Education (henceforth HE) reforms of the previous decades caused serious changes in higher education institutes (henceforth HEIs). In line with alterations in the study structure (Bologna), the funding of research, the labour regulatory frameworks and the reporting systems, associated with an increased competition in higher education and science, also the internal governance mechanism have changed perceptibly. This has led to a greater application of management business concepts in HEIs and a rising responsibility of academics for management tasks (e.g. financial management, acquisition and third-party funds or leadership of research teams) (Nickel 2011). Thus, “the university is no longer expected to fashion a cultured elite, but to fuel the engines of economic competitiveness and survival” (Harley et al. 2001, p. 330).

Though these tendencies seem to be a general phenomenon for the European Higher Education area, national differences in pace and scale of and resistance to reforms are observable. De Boer, Enders and Schimank (2007) analysed governance systems of four different European countries including Britain, the Netherlands, Austria and Germany. Based on various previous works on university governance (Clark 1979; Clark 1998; Schimank et al. 1999; Braun and Merrien 1999; Enders 2002) they considered five different dimensions of governance: state regulation, stakeholder guidance, academic self-governance, managerial self-governance, and competition. For this paper, we will only reconstruct their findings related to the Austrian and the British Higher Education governance systems.

Given the developments until 2007, the *British governance system of universities* is characterised by increasing *state intervention* on the one hand, and increasing *market-dominated governance* on the other hand. At first sight, these two developments seem to be incompatible which is reinforced by De Boer et al. (2007, p. 141) who noticed that the “shift towards more regulation by the state ... runs counter to NPM [New Public Management].” However, they found that the distance between state regulation and academic self-governance formerly was surpassing high compared to other European countries like Austria, so that the rise of state regulation moved this dimension of governance towards a level that is more similar to today’s European standard. Simultaneously, starting with reforms during the Thatcher

administration in the 1980s, the development of the British Higher Education system was featured by the establishment of an educational and scientific “quasi-market”. The main objective of this shift was to increase “efficiency as the overriding criterion for the spending and allocation of scarce public money” (ibid., p. 141). In terms of the other dimensions of university governance, De Boer et al. (2007) stated that *guidance of stakeholders* and *managerial self-governance* has gained increasing importance in recent decades. Such a tendency demonstrates that British HEI “moved strongly towards corporate management structures” (ibid., p. 141) and, by doing so, include external players and “users” to a greater extent at all governance levels while at the same time *academic self-governance* has become less important. However, it is still of certain relevance related to both, internal governance, albeit to a lesser extent, and external governance, considering the high significance of peer-driven processes in HE governance.

A closer look at the *Austrian HEI governance system* reveals a continuing *deregulation* of the sector and increasing institutional autonomy of universities. Given the formerly highly elaborated “state model”, which was established “more strongly in Austria than in some other countries of the Humboldtian tradition such as Germany or the Netherlands” (ibid., p. 144), and in view of “years of standstill” (ibid., p. 149), the 2002 reform legislation brought major reforms characterized as “managerial revolution” by Kehm and Lanzendorf (2007, p. 158). Amongst others, one of the main changes was that universities “became legal entities under public law with lump sum funding, based on performance agreements between university and ministry” (Ehrenstorfer et al. 2015, p. 180). Correspondingly the position of the rector (top management) was strengthened (Kehm/Lanzendorf 2007) and the responsibility for internal governance structures was transferred to the individual universities (Pechar 2010; De Boer et al. 2007). In connection with a limitation of the authority of *academic self-governance* bodies (Kehm/Lanzendorf 2007), an increase of *managerial self-governance* has been identified (De Boer et al. 2007). Furthermore, *stakeholder guidance* was increased by the introduction of a “Science Council” at governmental level (ibid., p. 144) and a university council on organisational level (Kehm/Lanzendorf 2007). Taking account of *competition* as the last dimension of HE governance, analysts highlight that -, compared to current reforms in other European countries- the radical reforms did only moderately imply competitive elements (De Boer 2007; Pechar 2010). That seems to be remarkable as “increased competition – as a means of increase performance – is the ultimate rationale of the NPM model” (Pechar 2010, p. 17). Figure summarizes and compares the described changes in the two national HE governance systems.



**Figure 1.** Shifts of university governance in Austria and England  
 (source: De Boer et al. 2007, p. 149, adapted by the authors)

Although the research of de Boer et al. (2007) provides a comprehensive comparative analysis of different HE governance regimes, it seems to be necessary for this paper to throw a more differentiated glance at the Austrian and British HE systems, especially in view of the fact that both are characterized by a duality of two diverse types of HEI. Before the “1992 Further and Higher Education Act” the British HE system was featured by the “‘binary line’ between the universities and the polytechnics” (Smith 2002, p. 293). The legislative reform resulted in the abolition of this divided system and led to a (more) homogenous system with approximately 100 universities. However, the difference between “traditional”/“old”/“chartered”/“pre-1992” and “new”/“statutory”/“post-1992” (Smith 2002, p. 293; Bolden et al. 2008, p. 4) is still relevant and effective in terms of HE leadership and management. As Deem (1998, p. 48) stated,

“The former polytechnics and colleges of higher education emerged from a rather more bureaucratic and hence more hierarchical and rule-bound local authority tradition than their more collegial competitors.”

Furthermore, predominantly “pre-1992” universities focus on traditional academic research while the former polytechnics put emphasis on “student experience and community/business engagement (including applied research)” (Bolden et al. 2008, p. 4). However, throughout the past two decades development of the ‘new’ universities has been increasingly characterized by growing importance attached to research activities and a pressure towards a more ‘academic’ arrangement of middle-level management positions (ibid.).

A similar tendency can be observed in Austrian HE. Though there are several other players in the tertiary education, the system is largely reflected by the duality of universities and universities of applied sciences (henceforth UAS). The Austrian UAS sector was founded in 1992, “much later than comparable institutions in other OECD countries” (Pechar 2002, p. 231) and, most interestingly for this paper, based on the role-model of the British polytechnics (accreditation) model (Pechar 2002). In general, UAS focus on vocationally oriented academic

education/training in specific vocational fields and conduct applied research and development. In terms of HE governance, the Austrian UAS sector is characterised by a high level of institutional autonomy, a dispersed funding structure (state, legal authorities, private entities), a high recognition of vocational requirements (externally) and powerful top-management and hierarchical top-down steering (internally) (Ehrenstorfer et al. 2015). Recently, however, a certain 'academic drift' (Bruenner/Koenigsberger 2013), indicated by heightened interest in research activities and a strengthening of academic self-administration, has been observable (Ehrenstorfer et al. 2015).

Current research studies (e.g. Tahar et al. 2011, Musselin 2007) have suggested that New Public Management reforms of the last 20 years associated with the impose of management business models on HEIs are not solely sufficient to support HE executives in their daily work. They suggest that the implementation of these models does not necessarily lead to the expected positive results (Tahar et al. 2011), especially if allowance for the particular organisational nature of HEIs is not granted (Musselin 2007). In due consideration of these observations, the question arises how "manager-academics", as "academics who take on management roles in higher education institutions, whether temporarily or permanently" (Deem & Brehony 2005, p.232), perceive such changes and challenges of HE management and leadership and how they cope with them. Bolden et al. (2008) provide a comprehensive analysis of HE leadership and practices in the UK. Based on this work, a study was conducted dealing with similar questions of current leadership practices, approaches and challenges in Austria (Ehrenstorfer et al. 2015). In this contribution, the findings of both studies are compared and similarities and differences are discussed in consideration of the different national, legal, and cultural HE contexts.

## **2 METHODOLOGY**

The paper employs the contrasting background of HE leadership practices in Austria and the UK with focus on the leadership of the academic work of HEIs. The Austrian study conducted by the authors opted for a qualitative research design with the intention of gaining in-depth knowledge on current leadership practices in higher education as perceived by the participants of the examined social world (Bryman 2012). For this purpose, 42 in-depth semi-structured face-to face interviews were conducted with formal executives (senior managers and department leaders) from two Austrian HEIs, one 'traditional' university and one UAS. Findings from the UK stem from qualitative study conducted by Bolden et al. (2008) which encompasses in depth-interviews with 152 leaders/managers from 12 UK HEIs. Thus, results on Higher Education Leadership in UK were compared to the findings of the Austrian study. In doing so, joint topics were identified. Then, differences and similarities were analyzed (content analysis) in due consideration of the different national HE contexts.

## **3 FINDINGS**

### **3.1 Structural and organizational context of middle-level HE leadership and management**

Descriptions of the investigated HE environments (namely the Austrian and the British context) reveal fundamental changes in terms of marketization and steering mechanism over the last two decades. These changes were found to be accompanied with efforts to renew and rationalise the internal organizational structures, mostly in line with the ideas of New Public Management and "primarily in response to market and political pressures demanding a greater commercial orientation from universities" (Bolden et al. 2008, p. 1). Although such pressures appear to be much stronger in Britain, transformations are critically discussed in both national

contexts. The main field of debate is the fit between new governance mechanism and traditional academic self-perception and demand for 'freedom' related to academic affairs.

Albeit the line of argumentations are rather similar, comparison of the two studies, however, point to some differences in the degree of acceptance of changes (higher in Britain) and the vehemence in defending traditional academic ideals (higher in Austria). In the following vignette (B22/14, translated by the author) it was stated that "a well-established administrative body has somehow a negative aftertaste". Yet, it is meant to act efficiently and smoothly similar to well established teams (B22/20). Thus, Austrian manager-academics warn of overregulation that may constrict flexibility, creativity and innovation and conclude that universities may not be organised and led like companies (B6/21; B17/27).

By all means, these variations are maybe even more obvious within the national HE systems when one takes into account the different types of HEI (pre-1992 vs. post-1992 universities in Britain and universities vs. UAS in Austria). Comparable to findings of the Austrian study, Bolden et al. (2008, p. 4) explicate that they

"... perceived a greater acceptance of 'managerialism' (or the need for top-down management) within the 'new' than 'old' universities which still showed a preference for 'collegiality' (or consensual decision-making)."

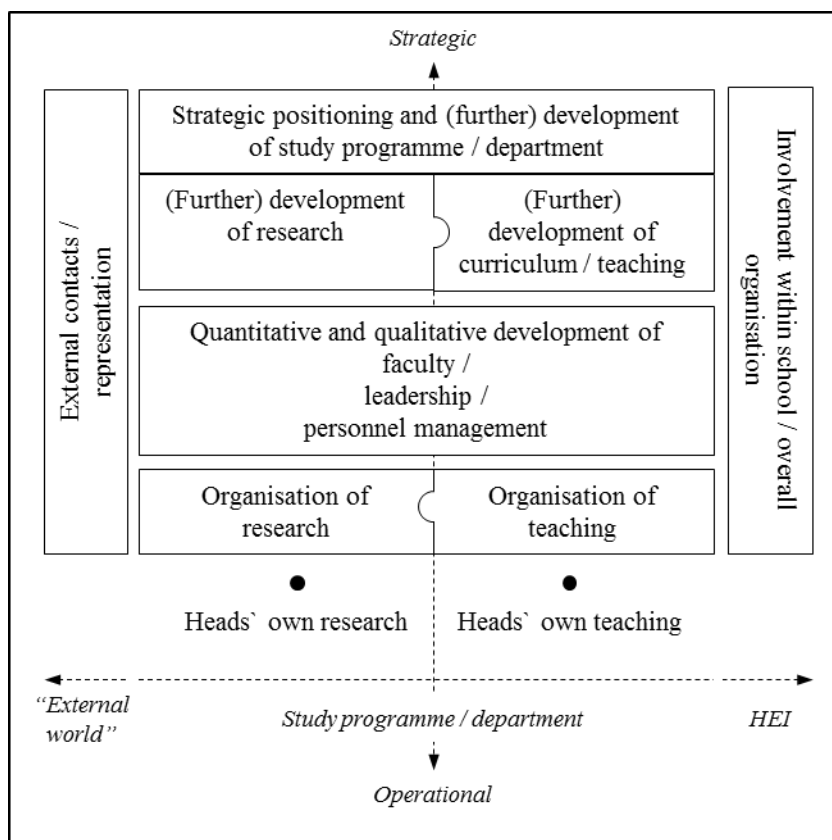
### **3.2 Attractiveness of leadership and management positions**

Both research projects dealt with the motivations for taking on an academic leadership role and the attractiveness of such positions. Interestingly, the study of Bolden et al. (2008) revealed an increasing difficulty in filling the position of heads of departments while "recruiting to more senior levels such as PVC/DVS and Dean of Faculty/school was generally not regarded as so challenging" (ibid., p. 15). By contrast, in the Austrian context, and here especially in the case of the UAS, the role of deans was described as more challenging (B11/26, B2/37, B5/26, B22/15-16). The main motivation for assuming this role, which in this specific organization, is fix-termed and added to the function of head of department, was described as some kind of commitment to academic self-administration and not as progress in (HE management) career. This finding hints to a nationally different perception of HE leadership and management as a promising career option. What appears to be a common denominator of both studies, though is that respondents highlighted "the detrimental effect on research profile" (ibid., p. 2) and that the persons who take on leadership and management roles at PVC/DVC- or dean-level in HE usually "are likely to have reached the pinnacle of their research career" (ibid., p. 2).

### **3.3 Key tasks of manager-academics**

The interviews conducted in the course of the Austrian study revealed a high variety of functions taken on by heads of institutes and heads of study programs. They range from strategic to operative duties and are both, externally or internally orientated.





**Figure 2.** Key roles and tasks of Austrian heads of institute / heads of study program (source: Ehrenstorfer et al. 2015, p. 183)

Also in the UK, the traditional academic-administrative divide is getting more and more blurred as academic leadership functions are becoming more commercially oriented and customer focused. Moreover, Bolden et al. (2008) stated that middle-level leadership and management roles have gained increasing strategic decision-making authority.

In addition, in the UK professional managers tend to assist heads in their operative workload at their academic units. This kind of service support is not yet that common in all Austrian HEIs (at the 'traditional' university even less than at the UAS). On the contrary, while the British study shows an increasing decentralisation of professional services (like HR, Estates, Finance and IT), both Austrian HEIs tend to centralise the support for these management tasks. In any case, the objective of both strategies is to support "manager-academics" (Deem & Brehony, 2005) and professionalize HE management at all organisational levels.

### 3.4 Predominant form of leadership

Both studies strived for the identification of predominant forms of leadership in HE context and findings reveal broad consistence between the two national contexts. The most frequently applied leadership style is a cooperative/distributed leadership which means that "both

strategic and operational responsibility and influence are taken at all levels, from top-level strategic initiatives to the delivery of programmes and bidding for research funding” (Bolden et al. 2008, p. 39). This kind of leaderships seems to meet the demands of both, adaptability and flexibility of HEIs best. Hence, emphasis is placed on consensus-orientation and a joint process of defining the strategy or in other words “developing the big picture jointly” (statement of an Austrian interviewee, translated by the authors).

Additionally, both studies identified a second necessary and promising leadership approach in HE context. Bolden et al. (2008, p. 3) describe this as a

“... strong and inspiring leadership from individuals in key roles [... which can] give a sense of common purpose and direction, engender a sense of trust and openness, encourage communication and dialogue and create an innovative and supportive culture in which initiatives can flourish.”

The Austrian researchers gained rather similar data and related it to the concept of “transformational leadership” (Dvir et al. 2002, p. 735). The Austrian respondents highlighted the significance of values in leadership such as trust, self-determination and autonomy, appreciation of employees and their work, transparency in communication, dealing with conflicts in an open-minded and dialogue-oriented way, and solidarity (social cohesion) in the team. A good example of this interconnectivity is provided in the following vignette that points to the relationship between trust, self-determination/freedom and motivation of staff in terms of leadership.

“The more freedom I grant to staff, the less I am able to control them. This is based on values. And this is one of the most important aspects of new leadership styles – that I trust the personnel. Find out what their motivation is and trust them.” (B20/56).

### **3.5 Necessary set of skills and competencies of manager-academics**

Given the previously noted manifold requirements faced by manager-academics, the underlying assumption that they are supposed to possess multifaceted skills to cover their daily challenges can be confirmed by findings of both studies. The identified crucial competences appear to be quite similar in Austria and the UK, namely scientific and professional excellence, leadership skills and experience, social skills, pedagogical and teaching competences as well as management skills and particular personal traits/character (Figure 2).



**Figure 3.** Set of skills and traits for professional HE leadership and management (source: authors' own figure)

First of all, it comes as no surprise that both, the Austrian and the British respondents see several *personality traits* of a leader such as empathy, capability of decision making in proper time and realisation, authenticity, self-reflection (reflection skills), self-awareness and personal integrity as crucially important. Furthermore, it was stated that leaders should be mature and steady personalities possessing the following traits: determination, assertiveness, patience and general willingness for change. These personality/character traits very often overlap with desired inter-personal and *social skills*.

In addition, informants of both studies point to proficient and recognised *professional expertise* related to the respective discipline and *scientific competence* as a prerequisite for manager-academics in order to secure credibility to "peers and colleagues within and beyond the institution" (Bolden et al. 2008, p. 2). In terms of recruitment, however, both studies revealed that in addition to research excellence, which was the formerly predominant criterion for selection, there is ever-increasing consideration of management and leadership experience and capability. Thus, a number of *leadership skills* like the capability of strategic thinking, assertiveness and capacity to deal with conflicts (consensus-orientation, constructive dialogue and capability of problem solving), communications skills (to inspire, motivate and convince people) as well as decision-making competencies seem to be crucial. On a critical note, it needs to be added that, although the value of already existing leadership experience is rated high, this experience seems to be implicitly presupposed at the two Austrian HEIs and is not systematically considered within the recruitment process.

Informants of both studies additionally pointed to *management skills*, such as know-how in marketing, finance, project management, external representation and organizational development, as competences of growing significance. Owing to the reported increase of marketization and external representation of departments and fields of study, also marketing and representation skills tend to gain relevance. Common ground was also identified regarding *teaching competencies*, since comprehensive skills and knowledge in pedagogical practices and didactics are required and deemed important on a global scale.

### 3.6 Professional development

There is evidence to suggest that in both countries (traditional) formal forms of further qualification (e.g. seminars or workshops) alone appear insufficient to meet the requirements of professional development for manager-academics. This is largely due to time constraints caused by the manifold requirements in teaching, research, administration and management. Hence, it seems to be more beneficial to combine different modes of further education and training. Although (manager) seminars and workshops are likely to impart fresh knowledge and new methods for leaders, personal development still requires other kinds of input and training, for example institutionalized and complementary coaching and mentoring models that allow for strengthening the capability of self-reflection.

While both studies illustrate similar ways to enhance professional development of HE manager-academics, it seems that there is a difference in awareness and progress of leadership development. Bolden et al. (2008, p. 4) describe that “the majority of institutions are either developing or have developed a clear policy framework to guide the institutional strategy and approach to leadership development.” It appears that the two represented HEIs in the Austrian study are not yet that far, although there seems to be a wide commitment to the importance of professional and purposeful leadership development. Furthermore, the British research shows that the universities in UK put greater emphasis on the development of future HE leaders. That is a field of action which has not yet been considered by the Austrian respondents in a comparable extent.

A high level of concordance can be identified when it comes to the emerging priorities for development with regards to content. As in both studies the focus is placed on manager-academics, which are traditionally educated in their field of science as researchers and teachers, it takes no wonder that the requested topics of support are related to business tasks like e.g. management of finance and resources, HR processes and performance management.

## 4 DISCUSSION AND REFLECTION

The study of Bolden et al. 2008 on collective leadership in UK Higher Education has given impetus to the authors' research project on HE leadership and management in two Austrian HEIs. For this paper, the similar research focus provided the possibility of comparing the findings of these two research works with regard to the different national HE systems.

In terms of differences, comparative analysis revealed that British HE leaders and managers seem to accept ‘managerialism’ to a greater extent than their Austrian equivalents. Explanations for this observation could be found in the more competitive character of HE governance affiliated with a stronger efficiency pressure, the longer tradition of NPM or a generally more neoliberal mind-set in the Anglo-Saxon context. Furthermore it appears to be interesting that, the perception of HE leadership and management positions as a promising career option was found to be more elaborated in Britain than in Austria. Similar considerations apply to the level of professionalization of HE leadership and management and the associated commitment to purposeful leadership development.

Despite these variations, it needs to be emphasized that the similarities between the results of the two studies outweigh the differences, especially in terms of the understanding of proper forms of leadership, the distribution of leadership at the different levels within HEIs, the required leadership competences of HE leaders and managers and the demands for leadership development.

The identified transnational similarities support the perception of a universal nature of University and HEI as expert organisations and the, at least in the European context, isomorph development towards a higher level of 'managerialism' in HEI. It appears that the traditional understanding of university (connected with a high level of academic freedom and, in Austria and other countries, with the Humboldtian tradition) has taken a back seat and has been overruled by a more neoliberal understanding of educational and scientific effectiveness - a mind-set which has already a longer tradition in the Anglo-Saxon culture. This trend seems to explain why HE leadership and management struggles with the duality between the academic tradition and the 'mainstream' understanding of 'modern' HE governance structures. Despite the differing level of progress and system resilience in Austria and in Britain, the corresponding challenges for HE manager-academics appear to be very similar.

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# ***How does Language Use Affect Relations in Multicultural Teams? A Social Identity and Linguistic Perspective***

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## **ABSTRACT**

The aim of this paper is to apply linguistic and international management theories to team interactions and effectiveness in cross-cultural settings. First, in relation to language, we draw on pragmatics and politeness theory, notably with regard to relational practice (Brown & Levinson, 1987; Holmes & Marra, 2004) in English as a lingua franca (Pullin, 2010, 2013). Second, we build on social identity theory (Tajfel & Turner, 1979, 1986), and cultural intelligence (CQ; Earley & Mosakowski, 2004). We studied multicultural teams (MCTs) with Chinese and Swiss students taking part in a Sino-Swiss Summer University in Business Administration (SSSU).

The linguistic part of the study is qualitative. The main analytical tool is discourse analysis, based on the identification of patterns in audio-recorded data and interpretation of how and why these patterns occur. Initial findings show that the team members use a range of linguistic strategies and practices both in nurturing relations and solidarity, in adapting to each other, and in ensuring effective communication. The data reveal sensitivity to face, for example in negotiating misunderstandings that originate in non-standard language use, without referring to 'mistakes' in language, or the use of humour such as teasing, and the exploration of common ground, for example through social talk. Finally, linguistic practices and strategies of the SSSU participants reveal a shared identity as well as some aspects of CQ.

As for the quantitative part, a questionnaire was submitted to the SSSU participants to assess their identification with their home university and the SSSU, and their level of cultural intelligence. Moreover, they rated effectiveness and interactions in their sub-teams in terms of satisfaction, quality of outcomes, meeting expectations, and fulfilling roles and responsibilities. Results show a positive association between identification with the SSSU and team effectiveness, which is in line with the existing literature. Furthermore, we found a significant correlation between cultural intelligence and the quality of team interactions as perceived by the respondents. Thus, just as relational practice, CQ helps improving team interactions. In that sense, high levels of CQ can make relational practice more effective.

## **1 INTRODUCTION**

### **1.1 ELF and Relational Practice in multicultural teams**

Nowadays, 80% of interactions worldwide in English are between non-native speakers (Graddol, 2006), so English can be considered to be the modern "lingua franca". Lingua franca usage can be defined as involving languages used between speakers who do not share the same lingua-cultural backgrounds. English as lingua franca (ELF) is of particular interest in studying multicultural teams (MCTs) in that users demonstrate considerable adaptability and sensitivity towards different others, despite a lack of shared socio-cultural norms and linguistic diversity (Mauranen, 2012; Seidlhofer, 2004, 2011).

In the early stages of globalisation, ELF researchers already showed an interest in the use of ELF or Business English as a lingua franca (BELF) in corporate settings (e.g. Firth, 1996).

Since then, ELF has become a flourishing field of research (Ehrenreich, 2010; Kankaanranta & Louhiala-Salminen, 2010; Kankaanranta & Lu, 2013; Kankaanranta & Planken, 2010; Louhiala-Salminen & Kankaanranta, 2011, 2012; Pullin, 2009, 2010, 2013). Management scholars have also increasingly focused on English as a corporate language and the issues this raises (e.g. Luring, 2008; Reiche et al, 2015; van der Born & Peltokorpi, 2010).

In the management literature, Luring (2008: 347) notes that in anthropological theories, identities are constantly constructed and reconstructed in interactions and emphasises the central role of language in this. As such, he distances himself from an essentialist view of culture and identity construction, but views them rather as an emergent phenomena in situ. This is the approach taken in relation to language in this study, where analysis of authentic interaction allows the unfolding of dynamic, co-constructed relations to be explored at a micro-linguistic level. In particular, the individual is seen to have a number of identities and belong to a number of social groups, each of which may be more or less salient in a particular context. Of central importance in this emergent process is the concept of relational practice. Holmes & Marra (2004: 377) use the term to encompass a wide range of supportive and collaborative work that helps nurture relationships in the workplace and improve effectiveness. They identify two basic dimensions that underlie the realisation of relational practice. Firstly, it functions in constructing and nurturing good workplace relationships, in establishing and maintaining solidarity between team members and in creating new relationships. Secondly, relational practice helps to construct and maintain workers' dignity, reducing the likelihood of offence, minimising conflict and negotiating consensus. Spencer-Oatey and Franklin use the terms rapport and rapport management, which are similar to relational practice (Spencer-Oatey & Franklin, 2009). However, they underline the fact that these terms can cover any behaviour that has an impact on interpersonal relations, whether this is positive, negative or neutral. Locher (2004: 322) also uses the term relational work, which she defines as "the process of shaping relationships in interaction by taking face into interaction". The concept of face is of central importance to relational practice and can be related to people's need for respect and being valued, on one hand, and their need for autonomy, on the other hand, Scollon et al. (2012) call these respectively involvement face and independence face.

## **1.2 Multicultural teams: identity, cultural intelligence and team effectiveness**

As we have seen above, language plays a key role in social interactions and in constructing and constantly redefining social identities in in-groups. As for multicultural teams, the literature builds predominantly on theories of cross-cultural management and remains mostly descriptive. To address this gap, we introduce the concept of identification in MCTs, which may allow the bridging of cultural differences (Janssens & Brett, 2006), but which is still under-explored in cross-cultural settings. Identification with a team or an organization is based on social identity theory (SIT) (Tajfel & Turner, 1986) and self-categorization theory (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987; Turner, 1985). It is highly relevant in exploring MCTs because these confront different cultures which are, in essence, social groups. According to social identity theory, individuals define themselves in terms of their membership in social categories. In contrast to a personal identity ("how am I different from him/ her?"), such social identities refer to shared attributes ("how are we different from them?"). Essential for self-categorization processes are the needs to enhance self-esteem (Tajfel & Turner, 1979) and to reduce uncertainty (Hogg & Terry, 2000). Thus, individuals particularly identify with groups that provide a distinctive and positive identity. When a particular social identity is salient, an individual's self-perception tends to be based on attributes shared with other group members rather than individual characteristics (so called depersonalization; Turner, 1985). Thus, in



MCTs cultural differences may be bridged if a shared identity develops. Shared identity is typically conceptualized as both content: perception of a common in-group identity (Gaertner, Dovidio, Anastasio, Bachman, & Rust, 1993), and process: the degree of identification with the new organization (Haslam, Postmes, & Ellemers, 2003; van Dick, Ullrich, & Tissington, 2006). Research demonstrates that highly identified employees choose behaviours which contribute to their organization's success (Dutton, Dukerich, & Harquail, 1994; van Dick et al., 2004) and they show more positive work-related outcomes such as the intention to remain in the organization, job satisfaction, work motivation, and cooperative behaviour (Riketta, 2005).

In a working context, relational practice helps in building and nurturing good relationships, showing respect to others and managing conflicts. Relational practice is even more relevant in cross-cultural settings where interpersonal and social interactions are made difficult by cultural distance. In this context, those able to adjust to a given cultural context may have more effective relational practices and strategies. This ability to adjust refers to cultural intelligence (CQ), which is defined as "outsider's seemingly natural ability to interpret someone's unfamiliar and ambiguous gestures in just the way that person's compatriots and colleagues would, even to mirror them" (Earley & Mosakowski, 2004: 140). CQ positively informs good personal adjustments, and the development and maintenance of good interpersonal relationships with culturally different others (Thomas et al., 2008).

Cultural intelligence (CQ) has four dimensions (Ang et al., 2007). First, metacognitive CQ refers to the individual's awareness of existing cultural differences and his/her ability to plan, monitor and adjust their own mental models during and after cross-cultural interactions. Second, cognitive CQ relates to knowledge acquired from education or personal experience about norms, practices and procedures in a given cultural context. Thirdly, motivational CQ reflects the extent to which an individual is interested and willing to adapt in a given cultural context as well as beliefs in his self-efficacy in cross-cultural interactions. Fourth, behavioural CQ focuses on the ability to adapt speech acts, verbal and non-verbal behaviours in cross-cultural interactions (Ang et al., 2007). Expatriates' cultural intelligence has been shown to significantly influence their cross-cultural adjustment and job performance (Kumar, Che Rose, & Sri Ramalu, 2008).

Summing up, CQ may make relational practice more effective in a cross-cultural context. Furthermore, existing research stresses the importance of CQ in work-related tasks and performance.

## **2 RESEARCH CONTEXT**

In this study, we consider MCTs with participants in a Sino-Swiss Summer University (SSSU). This program in Business administration is co-organized by the School of Business and Engineering of Canton of Vaud, University of Applied Sciences and Arts - Western (Switzerland), and the School of Management, Shanghai University. The SSSU program started in 2014; 8 Chinese and 8 Swiss students were selected separately from each University in 2014, and 10 Chinese and 10 Swiss students were selected in 2015. The objective of this program is to provide students with both insights into internationalization processes in Western and Eastern multinational corporations (MNCs) and into challenges faced in multicultural teams. The four-week program involves Chinese and Swiss participants with 2 weeks in Switzerland and 2 weeks in China. Courses were delivered through team-teaching with Swiss and Chinese instructors. The program was composed of a variety of lectures, seminars, and workshops. Insights into cultural differences were provided through shared experiences such as class discussions, group projects, and joint field trips. A series of company visits were also organized to facilitate the development of students' global mindset and their embracing of an

ambicultural mode of management based on the “best-of-both” in host and local cultures (Chen & Miller, 2010, 2011).

In order to encourage interaction between students of the two different cultural backgrounds, the participants were divided into different MCTs (mixed teams of two Swiss and two Chinese students) from the beginning of the program. During the program, they were asked to work together in groups on various course-related activities (e.g., observation exercises, and summaries of company visits). For the final group project, they were asked to discuss and finish an internationalization business strategy report for one of the corporations visited.

### **3 RESEARCH QUESTIONS AND HYPOTHESES**

In building on existing research, the linguistic strand of the study seeks to answer the following questions:

1. What linguistic practices and strategies do users of ELF, in this case the Chinese and Swiss participants of the SSSU, deploy in:
  - a. building, nurturing, maintaining and if necessary repairing relations
  - b. achieving effective communication?
2. In what ways might these practices and strategies:
  - a. reflect dimensions of CQ
  - b. contribute to the creation of a team identity?

As for the quantitative part of the study, the literature shows that a common identification with the organization contributes to improving work-related outcomes. Thus, we assume that:

Hypothesis 1: A shared identity within the Summer University positively predicts team effectiveness in MCTs.

Moreover, identification has been shown in various contexts to lead to positive intergroup relations (Richter, West, Van Dick, & Dawson, 2006). Thus,

Hypothesis 2: A shared identity within the Summer University positively predicts team interactions in MCTs.

Regarding cultural intelligence, individuals able to make better adjustments to people who have a different cultural background will have a higher performance on the job (Kumar et al., 2008). Therefore we propose that:

Hypothesis 3: Cultural intelligence positively predicts team effectiveness in MCTs.

In addition, those capable of adopting culturally intelligent behaviours, and showing motivation and knowledge of cultures might ensure positive team interactions. Thus, we argue that similar to mindfulness in intergroup settings, which allows speakers to overcome identity conflict and ensure positive intergroup interactions (Lupina-Wegener, Schneider, & van Dick, 2015), CQ will improve team interactions:

Hypothesis 4: Cultural intelligence positively predicts team interactions in MCTs.

## **4 METHODOLOGY**

### **4.1 Qualitative data collection**

The linguistic part of the study is qualitative in nature and data driven. Data collection was carried out during lectures and team activities whilst the students were in Switzerland in 2014 and 2015. It took the form of audio and video recordings and non-participant observation. Within the framework of intercultural and interpersonal pragmatics, defined by Locher & Graham (2010:10) as “ways social actors use language to shape and form relationships in situ”. The main analytical tool is discourse analysis. The foundation of this is detailed description, based on the identification of patterns in the data, which are meticulously transcribed, and interpretation of how and why these patterns occur. Cameron (2001:5) states that ‘A distinctive feature of discourse analysis ... is its overt concern with what and how language communicates when it is used purposefully in particular instances and contexts, and how the phenomena we find in ‘real language’ ... can be explained with reference to the communicative purposes of the text or the interaction.’ The methodology also draws on Grounded Theory (Strauss & Corbin, 1998) in allowing theory to evolve during on-going data collection and analysis. To draw credible meaning from such qualitative research, it is important that methods of analysis are practical and communicable. As such, findings should be well-grounded in rich descriptions and explanations of processes that are identifiable in local contexts (Miles & Huberman, 1994).

### **4.2 Quantitative data collection**

In order to study shared identity and effectiveness, the SSSU participants were asked at the end of the program to complete a questionnaire on their identification with their university and the SSSU. Moreover, they rated effectiveness of their sub-teams (2 Swiss, 2 Chinese) in terms of satisfaction, quality of outcomes, meeting expectations, fulfilling roles and responsibilities. The questionnaire contains the Four Factor Cultural Intelligence Scale (CQS) including 4 items for meta-cognitive (Cronbach's  $\alpha = .78$ ), 6 for cognitive ( $\alpha = .83$ ), 5 for motivational ( $\alpha = .88$ ) and 5 for behavioural ( $\alpha = .80$ ) cultural intelligence (Ang et al., 2007). In addition, the Chinese and Swiss students were asked about their identification with their own university/school and the Summer University, and their perception of team effectiveness and quality of team interactions within their multicultural team during the program. All scales range from 1 (“strongly disagree”) to 5 (“strongly agree”) building on the questionnaire on organizational identification (Ashforth & Mael, 1989). Team effectiveness was measured by the following two questions: “I am satisfied with our overall team performance” and “Our team outcomes were of high quality” (Cronbach's  $\alpha = .89$ ). Quality of team interactions has four items: “I would enjoy working with the same team again”, “Overall, my partners have effectively fulfilled their roles and responsibilities concerning our assignments”, “Overall, my partners’ performance have met my expectations” and “My partners have performed their tasks the way I would like them to be performed” ( $\alpha = .87$ ). Participants were 36 in total (16 in 2014 and 20 in 2015), with Chinese and Swiss students in equal numbers, 24 males for 12 females and an average age of 23.1 years.

## **5 FINDINGS**

### **5.1 Qualitative results**

At this stage, findings show that speakers use a wide range of linguistic practices and strategies to accomplish goals and nurture relations. In addition, it is clear that relational work emerges from the discourse and is interactively constructed. Face is frequently addressed in clarifying

matters and in negotiating tasks, and softeners are frequent (cf. Pullin, 2013). Language is a source of interest and comment, but never in terms of ‘correcting’ or commenting on non-standard use.

**Table 1.** Linguistic practices and strategies

				Impact and effectiveness	CQ	Shared Identity
Linguistic Practices	Social devices: ways of projecting or Interpreting talk.	Humour	Bonding Solidarity	Building and nurturing relations	√	
		Small Talk	Finding common ground	Building and nurturing relations	√	√
Linguistic Strategies	Interactive and relational functions of language	Suggesting Supporting	Addressing Involvement Face	Solidarity and effective communication	√	
		Negotiating tasks Conceding Finding compromises  Use of inclusive pronouns	Addressing Independence Face	Building and maintaining relations		√
		Overcoming language ‘problems’	Avoiding face threat	Ensuring effective task achievement	√	√

Speakers show the ability to be flexible both in terms of language and concessions needed to achieve goals, adapting to each other and working through differences of opinion with regard to action.

A broad summary of findings is given in *Table 1*, which considers linguistic practices and strategies, their functions in terms of relational practice and effective communication. In addition, ways in which they may reflect CQ in relation to personal adjustments and the maintenance of good interpersonal relationships in task related goals are also included. Finally, the question of shared identity is also touched on.

At the time of writing, data collection and analysis were still ongoing and addressing all of these points is not possible at this stage. The example given and analysed below illustrates some of these findings.

The quite lengthy excerpt below from the 2015 data illustrates a number of strategies the students used and the way in which they negotiated the task, ensured they understood each other and showed flexibility and adaptability. The team were beginning to work on a report they had to jointly write on a company. The team comprised one female Chinese student (15\_C\_F\_1), one male Chinese student (15\_C\_M\_1), and two male Swiss students (15\_S\_M\_1 and 15\_S\_M\_2). Most of the interaction here is between the Female Chinese student and the first Swiss male student. The analysis is given below:

1	15_C_F_1	two pages
2	15_S_M_1	do you think it's enough do you think it's too much
3	15_C_F_1	I think we can uh firstly we can um maybe make a draft you know {yeah}
4		organise it and if we think it's too much we can cut {yeah} {yeah}
5		but if we yeah just uh accurately make them five pages and uh maybe
6		() we will meet some problem you know () something we need to
7		add something I think it's better if we write more it's easier to cut
8		than add what do you think
9	15_S_M_1	I think I think it's easier to [add than cut]
10	15_C_F_1	[add thank cut]
11	15_C_M_1	yeah ((laughter)) ((some Chinese input))
12	15_S_M_1	yeah because like this=
13	15_C_F_1	=yeah because it's hard to uh gi give up something
14	15_S_M_1	yeah and when you cut for example you write something and you cut
16		and then the [other]
17	15_C_M_1	[okay I got it]
18	15_C_F_1	oh yeah yeah yeah
19	15_S_M_1	doesn't work any more
20	15_C_F_1	okay so so then we stay so [so]
21	15_S_M_1	[then] we can have a marge like we can say we can write we can say
22		we can write maximum one pages per person {uh hu} so it will be a
23		more it will be more {uh hu} we can say maximum if you want we
24		can uh we say the ideal ((French pronunciation)) length is three quarter
25		() {eh okay} it's ideal but we can have one pages if you feel like {okay}
26		and so we can cut {yeah}
27	15_C_F_1	yeah yeah okay okay

In line one CF1 suggests two pages for the length of the text. SM1 isn't sure about this (line 2). CF1 shows flexibility in the subsequent turn by suggesting they write a draft, writing more rather than less and then adjust it by cutting if necessary (lines 3-6). In lines 7 and 8, she concludes by saying 'I think it's better if we write more it's easier to cut than add what do you think', finishing with a question that offers the others the opportunity to come up with other suggestions. Despite SM1's apparent agreement through the use of backchannels 'yeah' when CF1 confidently presented her approach, he actually disagrees with her. In line 9, he begins to do so using softeners 'I think I think' to avoid face-threatening directness. As he completes his utterance 'it's easier to add than cut', CF1 overlaps with him, simultaneously saying 'add than cut'. Such overlap can indicate the nurturing of solidarity through a reflection of the ability to quickly grasp different viewpoints. At this point, eye contact was apparent between all the team members and they all laughed together. This was probably because it was only at this point that they realised that their ideas were diametrically opposed. What follows shows their flexibility in showing that they understand each other's points of view as in line 13 CF1 says 'yeah because it's hard to uh gi give up something' and refers to 'the other' in the following line. Finally, in lines 21-26 SM1 suggests a compromise, to which they all agree. This involves writing three quarters of a page each, or one if they wish, and they can cut! In terms of relational practice, they addressed both involvement face in respecting each other's professional ability and views, and independence face in allowing for a degree of autonomy. As such, elements of CQ are evident in terms of adaptability and the ability to see other points of view in a way that is sensitive to the others. In addition, aspects of the interaction can also be related to a shared identity, for example, throughout the exchange, the inclusive pronoun 'we' is used.

The students understand each other despite non-standard usage, but do not focus on language per se. Doing so would perhaps be face threatening, whereas they use language here effectively as a professional tool. For example, in line 5 CF1 uses the word 'accurately', where she probably means 'precisely'. Similarly, in line 15 SM1 says they can have a 'marge'. This is a reflection of the French term 'marge de manoeuvre', meaning they have leeway or flexibility. He also pronounces ideal the French way. However, the students show their adaptability in gleaned the meaning from the context and in doing so they negotiate the task effectively.

## 5.2 Quantitative results

Using SPSS 23, we ran several simple linear regressions to predict team effectiveness based on shared identity (Hypothesis 1). We observed a significant relationship between SSSU identification and team effectiveness ( $F(1, 34) = 6.7, p = .014, R^2 = .140$ ). In other words, the stronger one identifies with the SSSU, the more one perceives his/her team as being effective (increase of 0.65 for each point in the SSSU identification scale). As for Hypothesis 2, our assumption that identification with the SSSU will predict the perceived quality of team interactions was not supported by the data. In line with the main literature, these findings suggest that shared identity is more closely correlated with task-related success (team effectiveness) than with "social-related" success (team interactions).

As for Hypothesis 3, regression analyses revealed that none of the four dimensions of CQ (metacognitive, cognitive, motivational and behavioural) is significantly correlated with team effectiveness as perceived by the participants. However, some significant results were found regarding team interactions (Hypothesis 4). The regression equation was significant with metacognitive cultural intelligence ( $F(1, 34) = 4.5, p = .041, R^2 = .117$ ). Respondents' perceived quality of team interaction increases 0.54 for each point in metacognitive CQ (scale: 1 to 5). Another significant result relates to behavioural cultural intelligence ( $F(1, 34) = 5.5, p = .025, R^2 = .115$ ). We observed an increase of 0.45 in participants' perceived quality of team interactions for each point in behavioural CQ. Finally, the regression equations with the other two predictor variables, cognitive and motivational CQ, were not statistically significant.

These findings can be interpreted in relation to attitudes and behaviours. Attitudes are mental predispositions which are precursors to behaviours. Therefore, measures which reflect actual behaviours rather than just attitudes are more likely to correlate with a behavioural dependent variable, which is here the team interactions. Cognitive and motivational CQ questions begin respectively with words like "I know..." and "I enjoy..." or "I am confident that..." which relate rather to attitudes. In contrast, behavioural and metacognitive CQ deal more with behaviours: "I use...", "I change...", "I alter..." (behavioural CQ) and "I adjust...", "I check...", "I interact..." (metacognitive). Hence, behavioural and metacognitive CQs have a stronger impact on the quality of team interactions than cognitive and motivational CQs.

Our results for Hypotheses 3 and 4 show also that a high CQ improves the perceived quality of social interactions in the group, but not necessarily the quality of outcomes and the overall team performance. This could be due to the fact that the first concern of the Chinese and Swiss students during the program was to establish a good relationship in the team, rather than or even before considering the team work-related outcomes.

## 6 DISCUSSION

First, the quantitative data show that a shared identity predicts team effectiveness in MCTs. This finding is in line with the literature. However, we found no significant correlations between dimensions of CQ and team effectiveness. Instead, CQ, and namely behavioural aspects of it, was positively associated with the perceived quality of team interactions. It could be that SSSU

participants were more concerned about building good interpersonal relationships in their MCTs than striving to produce the best possible academic outcomes. In other terms, the SSSU participants used mostly their CQ to facilitate relational practice, which suggests that CQ could be a variable moderating the effect of relational practice on team interactions.

Second, the qualitative data indicate that the students had a number of shared identities from the outset, which might result from their being the millennium generation, who are the first truly global digital natives, in addition to being business students. Indeed, their small talk often related to technology, but also to what programmes they watched on the BBC! Another area where the students share common ground is in the use of ELF. Although they come from very different cultural backgrounds, the use of ELF means that they need to constantly negotiate meaning and understanding, relying less on specific social norms derived from their own cultures. This may seem to be a disadvantage, but in fact it may be an advantage in that they have fewer fixed expectations as to what 'should' happen in the interaction. In line with ELF findings (e.g. Pullin, 2013), the students show considerable openness to using English with other non-native speakers. In fact, users of ELF may have an advantage over monolingual native speakers, in that they have a wider repertoire of both linguistic and cultural experience, which appears to help them to communicate effectively whilst nurturing relations.

## 7 CONCLUSION

This paper was a first attempt in applying linguistic and international management theories and concepts to team interactions and effectiveness in a cross-cultural context and in bridging the gap and finding communalities between them. We emphasized the role of English as lingua franca in the construction of a shared identity in MCTs as well as the role of cultural intelligence in facilitating relational practice.

Key limitations result from the pilot nature of the study aiming to design larger scale studies on Sino-Western teams. Thus, this paper builds on a small data set both for qualitative and quantitative analysis captured at one point in time only. However, the aim of the mixed-method approach was to explore potential convergence between applied linguistics and international management/psychology literature. We believe this has been very effective and allowed us to finalize the qualitative and quantitative methods for our future longitudinal studies. In addition, this study opened up many potential areas of joint research between applied linguists and management scholars.

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## APPENDIX: TRANSCRIPTION CONVENTIONS EXTRACT

For full details of transcription and mark up conventions, see Dressler & Kreuz (2000).

=	Latched talk (lack of temporal gap between two speakers – typically used at end of 1 <sup>st</sup> speaker's line and at beginning of next speaker's utterance)
{ }	Backchannel {S:OK}
[ ]	Overlapping speech We missed the callback [again, I really am] [Oh okay,] that's all right.
((behaviour))	Transcriber's comments (e.g. whispers, coughing, laughter)
( )	Unclear or intelligible speech (unclear/questionable words appear within the parentheses)

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# ***An Analysis of Different Cultures and Their Impact on Exchange Students. A Comparative Study of Austria and Sweden***

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## **ABSTRACT**

According to the variety of different cultures around the world, it is necessary for exchange students to know basics about their host country and the culture in this country. Moreover, it is essential to accept the new culture and respect people with a different cultural background. The paper focuses on the depiction of differed cultures in Austria and Sweden as well as on the acculturation process and the intercultural sensitivity exchange students can gain during their semester abroad. The acculturation process of exchange students reflect the different stages of the process by the use of the Development Model of Intercultural Sensitivity of Bennett. The paper reveals the general cultural difference as well as the cultural difference of society regarding to both countries. As a part, the terms of culture and intercultural sensitivity will be elucidated. For a clearer understanding of cultural structures and communication structures the paper compartmentalizes the distinct cultural dimensions of Austria and Sweden on a general basis. For this the theories of Hofstede, Trompenaars and Hampden-Turner and Hall will be used and challenged through the lens of the cultural change. By use of a qualitative study and theoretical concepts, the experience and the knowledge of culture of Austrian exchange students, who spent their semester abroad in Sweden will be demonstrated. As this is a work in progress, only an abstract of the qualitative study will be discussed. In respect to the study it is expected, that the majority of exchange students will be experienced to confrontations of cultural distinctions. Further, it is anticipated, that students accept these cultural varieties in the course of time or possibly adapt within the culture.

## **1 INTRODUCTION**

The culture within a society exhibits distinctions in every country regarding behaviours, opinions and preferences. This cultural characteristics may be pronounced differently from society to society. That implies that differences in cultures and society often are not immediately recognizable.

The changing times as well as the globalisation of cultures on the basis of mass media for instant internet, television and social networks provide a connection between spatial separated demographic groups. Moreover, mass media distribute the different beliefs and procedures of the cultures around the world (process of mixing and changing). The distinct avenues could have clout on the perception and comprehension of new cultures. Cultural differences frequently appear unfamiliar and weird for exchange students. Owing to the internet and the contingency of mobile communication with other persons, it is easier to accept the new culture and to acclimatize in the recent surrounding.

For exchange students it is necessary to understand the cultural differences of their home country and their host country to act in an appropriate and respectful way. Concerning to the culture and the impact on people, exchange students stand between a tourist and a permanent expatriate. While a tourist focuses more on the country and the landscape itself and less with the culture in depth, a permanent expatriate learn to understand and to perceive the significant differences of two cultures and become intercultural competent. Regarding to a semester abroad, exchange students are confronted with the several of cultural differences whereby they are able to gain the ability to become intercultural sensitivity during their stay abroad. To understand the differences and similarities of cultures it is necessary to understand the meaning of the term culture as well as the characteristics and dimensions of the term.

## **2 UNDERSTANDING THE CULTURE**

Due to the abstractedness the term of “culture” is versatile and changeable, whereby the meaning of the term can be modified and adapted depending on the context and subject. Regarding to the literature, a variety of researches of distinct sciences and fields have dealt with the concept of culture. Although, no consistent and generally accepted definition could be found, it is agreed upon that the fundamental function and meaning of culture is the same in every society. Kroeber and Kluckhohn (1952) created a general basis of anthropological and psychological definitions and formed a comprehensive interpretation of the term culture by the means of this foundation.

„Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values” (Kroeber & Kluckhohn, 1952, p.357).

The main point of this definition is that culture embraces the traditional ideas and values which are passed on from generation to generation through symbols and communication. The concept of culture considers the structured way of thinking, feeling and acting within a system created by the society and social human acts. This way of thinking, feeling and acting is acquired by experience or by the knowledge which was passed on from the generation before. To become an active component of the system and to interact within the system it is essential to know the culture as well as the rules, norms and standards of the society. Moreover it is necessary to understand the culture and to admit consciously acceptance and adaption to the given rules.

Hofstede (1984) refers in his definition also to the social thinking, acting and feeling as well as the consequences regarding to beliefs, attitudes, and capabilities of people. He defines the term of culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another” (p.9). In other words, the collective programming or the collective awareness of culture shows the difference of the people or members of distinct groups or people with another mode of thought concerning to culture. In terms of the awareness as well as the different way of thinking it is crucial to focus on aspects which are indispensable for an appropriate and adequate collaboration and communication between two or more cultures.

Another possibility to look at the term culture is the way to think of culture as an orientation system. Culture as an orientation system constitutes the requirement of thinking, feeling and acting as well as the perception of people in distinct cultural groups. The opportunity of orientation provides the satisfaction of wants within one’s own intercultural society as well as

outside of it. The basic prerequisite for this satisfaction is an appropriate and sufficient knowledge regarding the social and physical environment as well as a variety of experience. In this context, culture renders assistance by using rules, conditions and norms within a collective and social society (Thomas, Schroll-Machl, Kammhuber & Kinast, 2009).

Thus, culture forms the basis for human acting, thinking and feeling and provides an orientation system within the respective culture. Accordingly, the environment in which people interact as well as the behaviour of people is culturally (Stahl, 1998).

Concerning to intercultural communication together with intercultural sensitivity it is necessary to take heed of the subjective elements and factors of the particular culture. These elements and factors affect and structure the pattern of human thinking, feeling and acting. Culture as a process of human socialisation requires specific operational frameworks within people interacting and communicating with each other inside of their cultural system. This system is created by traditional ideas and values, which support the orientation within one's own culture. Because of the passing on of norms, standards and structures, a collective awareness emerges whereby the perception of the social and material environment will be influenced. Furthermore, experiences as well as the knowledge of collective and social norms, values and frameworks provide the possibility of an effective interaction and communication among individuals and groups with different cultural backgrounds.

When comparing the difference among various cultures, the characteristics of cultural systems can be divided into various dimensions. This paper focuses on the cultural dimensions of Sweden and Austria and analyses the differences and similarities of both countries. Regarding to the intercultural competence as well as the acculturation process during a semester abroad and the ensuing cultural sensitivity, the comprehension of divergent cultural dimensions of both countries is essential to become culturally aware and sensitive. Moreover for exchange students it is necessary to understand the difference of both cultures as well as the manners, behaviours and mode of thought in the host country.

### **3 CULTURAL DIMENSIONS OF SWEDEN AND AUSTRIA**

Within the analysis of cultures the terms of cultural standards and cultural dimensions play a major role. The understanding of cultural dimensions and differences influence the acculturation process of exchange students. The acculturation process shows to what extent exchange students are able to accept and integrate within the culture of the host country. The better exchange students understand and perceive cultural differences the better they can accept the new culture. In the following part, the paper gives an overview on a general basis regarding to the cultural dimensions of Austria and Sweden.

Cultural standards are the attempt to refer a certain behaviour to an underlining pattern. It describes typical ways of perceiving, thinking, acting as well as classifying (Thomas et al., 2009).

Cultural dimensions are cultural standards which are preferable to a certain basic dimension of human behaviours. Therefore, these dimensions characterize analytical basic terms regarding the research of culture (Layes, 2003)

The following paragraph focuses on the different cultural dimensions of Hofstede, Trompenaars and Hampden-Turner as well as Hall and tries to analyse the dimensions of Austria and Sweden. Concerning to this analysis it should be noted, that it is possible that the culture within a country has distinct characteristics. Therefore it is not feasible to categorize and standardize the dimensions of countries precisely. Furthermore it is to mention, that one can find different meanings concerning the allocation of the dimensions within the literature.

Hofstede (2010) outline five cultural dimensions (high vs. low power distance, high vs. low uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, long vs. short-term orientation). Table 1 shows an approximate depiction of Hofstedes dimensions of culture regarding Austria and Sweden.

**Table 1.** Dimensions of Hofstede – Austria and Sweden

Austria	Sweden
1 Low Power Distance	6 Low Power Distance
2 High Uncertainty Avoidance	7 Low Uncertainty Avoidance
3 Individualism / Collectivism	8 Individualism
4 Masculinity	9 Femininity
5 Long-Term Orientation	10 Long-/Short-Term Orientation

Assuming from the generally viewed culture of Austria and Sweden, Table 1 illustrates that both Austria and Sweden are individualistic countries with a low power distance which use a long-term orientation. That implies, that both countries have a high degree of interdependence as well as a low hierarchy. People are viewed as equals and control their own destiny. Moreover, they are accustomed to work towards building strong positions in their markets and do not expect immediate results. Sweden also uses parts of the short-term orientation which means for example that the final result is a major concern for individuals and groups. Furthermore it is to say, that Austria also has a collectivistic impact. This means that although Austrians prefer individual responsibility and independence, they also have strong bonds to their group and focus on harmony and loyalty. Austria is a masculine country with a high uncertainty avoidance. People in such cultures focus on achievement, competitiveness and performance. They prefer predictable situation and exhibit low tolerance for ambiguity. Compared to Austria, Sweden has a feminine culture with low uncertainty avoidance. People in countries like Sweden focus on solidarity as well as on the quality of life and good relationships. They feel comfortable with unpredictable situations and have a high tolerance for ambiguity (Hofstede, Hofstede & Minkov, 2010).

Further authors who deal with cultural dimension are Trompenaars and Hampden-Turner (2012). The authors focus on seven dimensions (universalism vs. particularism, individualism vs. communitarianism, neutral vs. affective, specific vs. diffuse, achievement vs. ascription, sequential vs. synchronic time, internal vs. external direction) which describe the different characteristics of distinct cultures and societies.

**Table 2.** Dimensions of Trompenaars & Hampden-Turner – Austria and Sweden

Austria	Sweden
<ul style="list-style-type: none"> <li>• Universalism</li> <li>• Individualism</li> <li>• Neutral</li> <li>• Specific</li> <li>• Achievement</li> <li>• Sequential Time</li> <li>• Internal direction/control</li> </ul>	<ul style="list-style-type: none"> <li>• Universalism</li> <li>• Individualism</li> <li>• Affective / Neutral</li> <li>• Specific / Diffuse</li> <li>• Achievement</li> <li>• Sequential Time</li> <li>• Internal direction/control</li> </ul>

Regarding to Trompenaars and Hampden-Turners dimensions, Austria and Sweden reveal a lot of similarities in cultural behaviours. One difference exhibits that although in both countries people place a high importance in rules, values and standards for Austria personal

relationships as well as fairness are very important. More over both countries believe in personal independence, freedom and achievement. Generally, people in such cultures do not reveal what they are thinking or feeling. They keep business apart from their social and private life and think that relationships do not have a great impact on their business work. Furthermore performance, knowledge and skills are very important for individuals in these cultures. They use titles to reflect the competence of a person. Besides, they believe that they can control their environment to achieve goals. To reach objectives they place a high value on punctuality, set clear deadlines and focus on one activity, goal or project at a time (Trompenaars & Hampden-Turner 2012). Compared to these authors, the study of Hodgetts, Luthans and Doh (2006) shows differences. Whereas Trompenaars and Hampden-Turner denote the Swedish culture as specific, Hodgetts, Luthans and Doh indicate the culture as a diffuse culture. Another essential theory is the cultural theory of Hall (1989), who focuses on the following dimensions (high vs. low context communication, monochronic vs. polychronic time)

**Table 3.** Dimensions of Hall – Austria and Sweden

Austria	Sweden
<ul style="list-style-type: none"> <li>• Low Context Communication</li> <li>• Monocronic Time</li> </ul>	<ul style="list-style-type: none"> <li>• Low Context Communication</li> <li>• Monochronc Time</li> </ul>

Countries such as Austria and Sweden with a low context culture focus on the exchange of information. People in these cultures are direct and undiplomatic which can be perceived as rude. They do not read between lines and focus more on what is said instead of how it is said. Furthermore, they see time as a series of passing events and deals with one issue at a time (Table 3) Hall (1989).

The difference as well as the similarities within the dimensions of both counties and their culture bespeak that the achievement of cultural awareness as well as intercultural sensitivity is relevant for appropriate interaction and communication across cultural borders. Concerning to intercultural sensitivity it is essential to be able to understand cultural distinctions and to develop within the acculturation process. As mentioned before the perception of cultural differences affect the acculturation process of exchange students. During a semester abroad students passed through the process of acculturation. At the beginning of the semester the students start from divergent points within the process. The start point depends on the experience with other cultures as well as the ability to perceive and understand cultural dimension. Throughout the semester the students gain a lot of insights of the new culture and learn to understand the differences, which contribute to the development within the acculturation process, whereby some students are able to achieve intercultural sensitivity.

#### 4 INTERCULTURAL SENSITIVITY

Intercultural sensitivity denotes the ability to distinguish, perceive and understand cultural differences, dimensions and standards (Schneider, 2005).

Intercultural sensitivity as well as the ability to recognize and understand cultural differences and similarities is necessary to interact and communicate in an appropriate way with people from other cultures or with people with other backgrounds. Furthermore it is essential to appreciate that these cultural differences can affect the personal values, attitudes, as well as the behaviour of people in distinct ways (Bennett, 1986).

The Development Model of Intercultural Sensitivity (DMIS) of Bennett (1986, 1993, 2003, 2004) was created as a framework to elucidate the perceived and stated experiences of people in

cross-cultural situations. It describes the behaviour of people who are confronted with cultural distinctions. The model reveals the handling of people with cultural inequalities as well as alteration of their way of thinking and their behaviour regarding to cultural perception, comprehension and adaptation (Bennett & Bennett, 2004). The Development Model of Intercultural Sensitivity provides assistance to enlighten the different stages of development regarding to an intercultural communication across boundaries of people. It demonstrates why it is easier for some people to communicate with people around the world while for other people it is difficult to interact with people from another cultural background (Bennett, 2004).

Bennett and Bennett (2004) point out, that the fundamental expectation of the DMIS is that "one's experience of cultural difference become more sophisticated" (p.152). Furthermore the authors outline that the competence as well as the behaviour of people in cross-cultural relations increase. Based on the involvement concerning cultural variety which is seen as a factor for the acquisition of differentiated world views, the DMIS deals with the development of cognitive structures (Bennett & Bennett, 2004).

Bennett (1998) describes by the terms of the model a personal growth and development which is influenced through an increasingly differentiated approach of the cultural differences.

The Developmental Model of Intercultural Sensitivity comprises six different stages which are divided into two superior dimensions – ethnocentric and ethnorelative.

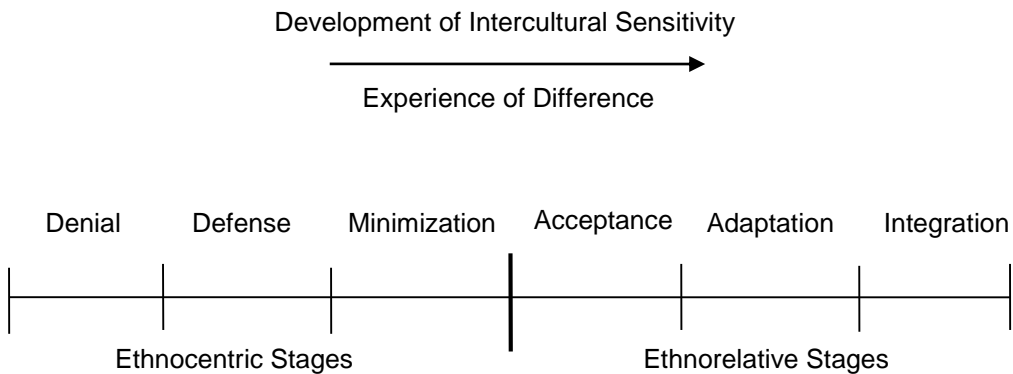
"Ethnocentric is defined as using one's own set of standards and customs to judge all people, often unconsciously. Ethnorelative means the opposite; it refers to being comfortable with many standards and customs and to having an ability to adapt behavior and judgments to a variety of interpersonal settings" (Bennett, 1998, p.26)

According to the definition of Bennett (1993), ethnocentric persons rate their own culture and worldview as the central point of reality. People at an ethnocentric stage have experienced that their own culture is superior to others and that their values, rules and norms have a universal and absolute validity. As opposed to the ethnocentric stage, persons at the ethnorelative stage have experienced, that their own culture is not the central point of reality. Ethnorelative persons view their own culture as a state of mind in which cultures are respected and different beliefs and behaviours are accepted (Bennett, 1993).

Figure 1 illustrates the six stages of the DMIS – denial (there is no distinction), defense (against the distinction), minimization (of the distinction), acceptance (a new way of thinking and seeing), adaptation (a new way of acting) and integration (a new way of being). The first three stages are ethnocentric meaning while the last three stages are ethnorelative meaning (Bennett, 1993).

The model allows not only a successive achievement of higher stages but also a regression to lower stages. However, the development is mainly positive through an involvement with different kinds of sophisticated or non-complex experiences with culture and people with distinct cultural backgrounds (Hammer, Bennett & Wiseman, 2003).





**Figure 1.** The Development Model of Intercultural Sensitivity (Bennett, 1986, 1993; Bennett & Bennett, 2003, 2004)

#### 4.1 The Three Stages of Ethnocentrism

The first three stages are denial, defense and minimization. These stages together build the dimension of ethnocentrism.

- Denial

The denial stage constitutes the lowest degree of openness regarding people with another cultural background. People at the denial stage are not aware that cultural distinctions exist. They usually are not interested in culture or cultural distinctions, live in a relative isolation and have a limited degree of contact with other people from other cultures. Furthermore people with this worldview understand culture and cultural differences as a visible thing such as language, eating habits or the way people dress. They either perceive cultural distinctions only in broad categories (e.g. foreigner, people of colour, etc.) or they do not recognize cultural distinctions at all. Moreover in this worldview people think that they act and behave in a normal and natural way. They have no experiential basis concerning the mentality and way of acting and feeling of people from other cultures. Additionally, these people think that cultural distinctions are wrong or inappropriate (Bennett, 1993).

- Defense

Defense against cultural distinctions represents the stage in which people know that cultural differences exist and accepted the insistence of it. People in this worldview feel threatened by the variety of differences and see their own cultural system as the only good way to live and act. The own culture is superior and others are decidedly inferior. Similarly to the denial stage, at this stage people also think that cultural distinctions and other mind-sets are wrong. However, at this stage they do not try to impose their values to others as they do at the denial stage but they attach negative evaluations to it. They combat the intimidation or threat from other cultures and distinctions by the use of negative stereotypes against other cultures and attach positive stereotypes to themselves (Bennett, 1993).

- Minimization

At the stage of minimization people perceive and accept superficial differences such as language, eating habits and so forth. They discern some elements of their own cultural system as universal. People with this kind of worldview believe that cultural distinctions are real but not exceedingly deep or significant. Based on the threat of differences these people try to minimize the cultural distinctions and prefer to focus on cultural similarities among individuals and groups. An essential point at this stage is that people think that underneath the surface all people are the same and that they believe in the same values. People at this stage gain a certain intercultural sensibility but they are not able to plunge into the completely cultural comprehension (Bennett, 1993).

## 4.2 The Three Stages of Ethnorelativism

The dimension of ethnorelativism is composed of the stages acceptance, adaption and integration. These stages focus on cultural awareness as well as on a higher degree of openness concerning to cultural differences.

- Acceptance

The first stage of development of the ethnorelativism dimension is acceptance. At this stage people accept distinctions as deep and legitimate and perceive their culture as one of many equivalent and sophisticated cultural systems. People with this worldview know that people with other cultural backgrounds are different from them. Acceptance does not mean that people have to acknowledge with cultural differences or that they adopt the behavioural norms or adjust their own system. Rather, these people embrace the viability of distinct value systems, behaviours, norms, ways of thinking and so forth, even though it is hard to deal with or accept it. At this stage, one does not judge other systems as wrong or inappropriate. Instead, they are neutral about differences and show interest and capacity to learn about the other systems (Bennett, 1993).

- Adaptation

People at the adaptation stage think about cultural distinctions as a positive thing. They utilize their knowledge about their own culture and other cultures to see things from another perspective and to emphasize with people from other cultures. People with this worldview try to understand and be understood across cultural boundaries. Based on perceptions and experience of another culture as well as of the different behaviours, norms and systems they are able to modify their own behaviours to accommodate cultural norms. They do not give up their own cultural background but they integrate and adapt some aspects of other cultures through which they become generally intercultural sensitive (Bennett, 1993).

- Integration

Integration is the last stage of the DMIS. At this stage people become bicultural or multicultural. They incorporate other cultures into their own system and attempt to conciliate with the contradictory cultural frames and values that they have internalized. People with this worldview define culture in different ways. They are able to move in and out of distinct cultural systems without giving up their own cultural values and beliefs (Bennett, 1993).

To sum up, one could say that intercultural sensitivity focuses on the cognitive section of intercultural competence and encompasses the level of knowledge regarding to culture and

cultural differences. The DMIS enables the classification of personal development within intercultural sensitivity. This development ensued through a successive process on the stages of the model.

## 5 FIRST RESULTS AND FURTHER WORK

As a first result of the qualitative study one can say, that the students abroad develop themselves within the acculturation process and gain a higher understanding of cultural differences and similarities. Although during the interviews some of the students point out that there are not so many significant differences but a lot of similarities between Austria and Sweden they get a good insight of the Swedish culture. Moreover one can detect, that the students achieve different phases of the acculturation process during their semester abroad. Some reach a higher stage, some move between the lower stages, but all in all one can see a progress in this process. Within the next step of the paper, further interviews with Austrian students who completed their exchange semester in Sweden will give a more detailed insight into the impact of cultures regarding students abroad. With respect of the qualitative study, it is intended to be received on the impressions gained in terms of the different cultures. The structure of the narrative interviews is based on the individual phases of the Development Model of Intercultural Sensitivity of Bennett (1986, 1993, 2003, 2004). By the means of the interviews the findings should display the stage the students were situated in before their exchange semester as well as the actual stage the students are situated in after their stay abroad.

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# ***The Usage of (B)ELF in a Multicultural Work Environment. A Study Based on the Example of Runtastic GmbH***

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## **ABSTRACT**

In a lot of companies the percentage of domestic workers is considerable high, whereas at Runtastic people from 28 nations work together. Although German is the mother tongue of most of the employees, English is the written and spoken corporate language. While some of the employees are English native speakers, for the majority the common language used is not their native tongue. Given this, and the fact that international workers tend to group up with other internationals instead of Austrians, there is a need to have a closer look at group dynamics and the language usage of the employees. The combination of English as a (business) lingua franca (B)ELF and the formed group influences the individual role of every team member. As English is used as corporate language, but can be also defined as the main communication language within informal groups as well, it plays many different roles and is applied to various situations. This paper is situated in the research field of Intercultural Communication. Special attention is drawn to the usage of English as a lingua franca. In addition the practice of ELF within formal and informal groups or teams, built within the company is the main part of the research. As in some teams there are only a few, or more frequently only one employee who is not a German native speaker, the question is, how these employees communicate in the end, and in which groups of nationalities they would participate more likely during their work but also free time (for example lunch or relaxing activities during work).

This work is an empirical case study with a qualitative research design. It is based on semi-structured interviews with nine employees. This paper gives a first insight on the findings of the interviews.

## **1 INTRODUCTION**

Nowadays, the biggest challenge in global or intercultural teams is the communication. Most of the time the team members do not have the same mother tongue, so the common language used will not be the native tongue of all the team members (Chen, 2006). The question is, which language is used and how do they communicate in order to prevent misunderstandings or a misreading of other persons words and actions. At Runtastic, a provider for health and fitness applications, people from 28 nations are working together and although German is the mother tongue of most of the employees, English is the written and spoken corporate language. Generally speaking, it appears more frequently, that the shared language used in international communication is English as well. Which means, that more and more people with different cultural background and scopes of proficiency use English in various situations (Seidlhofer, 2004). Therefore it is not the same kind of English used by its native speakers in their home countries (Ehrenreich, 2010). While the employees at Runtastic are situated in one location, there will still be differences in culture, skills and demographic background, which influence the language usage of each individual. Researchers and writers use the label "English as ... language" to describe those forms of English (Smit, 2010). The terms *English as a lingua franca*

(ELF), *English as a business lingua franca* (BELF) and *English as an international language* (EIL) are most frequently used concepts in order to explain the form of communication within international and intercultural teams. Seidlhofer (2004, p. 212) describes this change in the English language and the subsequent use of the lingua franca as a “process of internationalisation and destandardisation.”

This paper is situated in the research field of Intercultural Communication. Special attention is drawn to the usage of English as a lingua franca. The company itself, Runtastic GmbH, is always striving to integrate the employees from all over the world and creating a work environment, which makes it possible for everyone to participate and not to be excluded. As in some teams, however, there are only a few or only one employee who is not a German native speaker, the question is, how these employees communicate in the end, and in which groups of nationalities they would participate more likely during their work but also free time (for example lunch or relaxing activities during work).

As I am part of the company myself, working part-time as customer care agent in the support team, I am drawn to this topic in a special way, being confronted with different forms of groups and their usage of (B)ELF three days a week.

This paper concentrates on the one hand, on the theoretical background of (B)ELF and on the other hand on the methodology and the first results of the interviews.

## **2 ENGLISH AS A (BUSINESS) LINGUA FRANCA – AN INTRODUCTION**

As English gets more and more important all over the world, there is a need to look at the language itself. Nowadays, based on the three-circle-model by Kachru (1992), we talk in terms of the *Inner Circle*, as to be the UK, the USA and Australia, and the *Outer Circle*, which can be found in Africa and Asia and are defined as New Englishes or World Englishes (Mauranen, 2009). New Englishes are consequences of changes in the language, resulting from “the development of varieties of English” (Brutt, 2002). Other countries, which have not been colonized by England or do not have English as an official second language are defined as the *Expanding Circle*. Inhabitants of those countries do not use English in their daily communication, but rely on it in international interaction, for example in business negotiations or transnational conferences (Sharma, 2008). The English used in these situations is also referred to as *English as a foreign language* (EFL), meaning that English only plays a role in external communication (Brutt, 2002).

For a global language to work, it needs to be separated from its regional and cultural origins, to be accepted and spoken without any restrictions also by non-natives. It has to be disconnected from the believe, it is owned by the British or the Americans, or “that it embodies, transmits or inculcates qualities and values associated with those cultures (Kayman, 2009, p. 91).” That is, where the difficulty starts, as most of the Englishes taught today, are either British or American English. But non-native speakers use English as their language for communication with other non-natives, as a lingua franca. Therefore English should be taught as a lingua franca, not related to a native culture in which “certain ways of speaking and behaving are appropriate (Mackenzie, 2014, p. 1).”

### **2.1 English as a lingua franca**

With globalization and internationalization more and more teams with members of different nationalities and cultures are emerging. Situations where individuals are required to adjust to other cultures than their own are generated on a daily basis. While many people define English as a global language used in these situations, its linguistic form is not clear. “It is, thus, questionable why English as a native language (ENL) is still widely viewed as the only point of

reference for 'correct' English use [...]” (Kordon, 2011, p. 287). A lingua franca builds the basis for a successful communication within multicultural teams, as only this form of English provides a communication form free of cultural norms or limitations. The study of this scholar is based on a multicultural team within one company, therefore the focus needs to be set on ELF, instead of another form of English.

Although earlier researchers defined ELF as interactions where for none of the speakers English is the mother tongue, Seidlhofer (2011, p. 7) prefers “ELF as any use of English among speakers of different first languages for whom English is the communicative medium of choice, and often the only option”. So for her, not only the non-native speakers are part of an ELF conversation but also native speakers, who use a simplified form of English to communicate with non-native speakers.

### 2.1.1 ELF as the global language

While Mollin (2006) criticises the missing dominant function of English as a lingua franca in Kachrus three-circle-model, Ehrenreich (2011) took the model a step further and created a table showing, that ELF is, at some point, indeed used by speakers of every part of the circle, “regardless of the status and place of English in the individual speakers' linguistic repertoires” (Ehrenreich, 2011, p. 16). In her table she uses English as a native language (ENL), English as a second language (ESL) and English as an additional language (EAL). As the table 1 shows, speakers of those forms of English use ELF in the end, to communicate with each other. ELFs success in all those situations is partly based on the *let-it-pass* strategy, which was

**Table 1.** The usage of ELF in various areas (Ehrenreich, 2011)

Speaker origin	Linguistic repertoire	English-medium contact setting		Speech community	Which English?
		involving:			
Inner Circle (also Outer Circle, expatriates)	English as a native language (ENL) + additional language(s)	ENL intranational	ENL speakers	national	ENL
		ENL international	ENL speakers	international	ENL
		E as an international contact language	ESL, EAL speakers	international	ELF
Outer Circle (also speakers in Inner Circle)	First language(s) + English as a second language (ESL) + additional language(s)	ESL intranational	ESL speakers	national	ESL
		E as an international contact language	ENL, ESL, EAL speakers	international	ELF
Expanding Circle (e.g. Germany, China)	+E as an additional language (EAL) + additional language(s)	(for minority of speakers) EFL (E as a foreign language)	ENL speakers	international	ENL
		(for majority of speakers) E as an international contact language	ENL, ESL, EAL speakers	international	ELF

discussed in the studies of Seidlhofer (2004) and Sharma (2008). This principle is explained fairly quick, but is very essential to the robustness and success of ELF: If a interlocutor does not understand the other, during an ongoing conversation, one tends to let the difficult situation pass, suspecting that the issue will be solved with the further course of conversation. It is important though, that a certain threshold is not reached during the exchange. This “gives the impression of ELF talk being overtly consensus-oriented, cooperative and mutually supportive, and thus fairly robust (Seidlhofer, 2004, p. 218).” However generally speaking, misunderstandings usually are not frequent in an ELF communication and also do not appear because of the *let-it-pass* strategy. If they at some point do appear, they might be solved by

rephrasing, repetition or simply by changing the topic (Seidlhofer, 2004). Likewise Sharma (2008) states that interlocutors rarely have comprehensibility problems that would stop the communication.

## **2.2 English as a business lingua franca**

The world of business and commerce cannot function without English as its main communication language. In a curriculum vitae English as a qualification is not a benefit anymore but a requirement (Zeiss, 2010). As already discussed in the previous chapter, there is a growing number of international co-working in global companies, no matter where the headquarter is located. A global business context is multicultural, multilingual and multimodal when it comes to communication via advanced technologies, therefore there is a need for a shared language. Previous researchers based their studies on ELF and added an important term: business. English as a business lingua franca specially defines the usage of English in business communication. "BELF is a 'neutral' and shared communication code for the function of conducting business and it is this purpose and domain of use, that is, the 'B,' which distinguishes it from ELF (Kankaanranta, 2010, p. 381)." This way the "business" in BELF describes the situation in where this form of English is being used, instead of the simpler form of ELF. Although the percentage of German speaking employees at Runtastic is still a majority, especially in meetings, when people are attending who are not able to use German, the common language would be English. Additionally it is already used in many international business cooperations as the official corporate language (Kankaanranta, 2010) Therefore it is important to especially highlight this form of lingua franca.

## **3 METHODOLOGY**

This work is an empirical case study with a qualitative research design. Although there is already a fair amount of studies on BELF in international businesses, most of them concentrate on companies with various locations around the world. However, this paper concentrates on one location of a business, where employees with different nationalities are working together. Therefore there is a need to search deeper and define the differences in BELF, ELF and further possible usages of English in a working context. Furthermore, it is necessary to depict different forms of formal and informal groups, as there is a variation in the used English within those groups. Previous studies in this field of research conducted qualitative interviews. This kind of investigation gives the scholar the possibility to go deeper into the field and "capture the multidimensional realities of language and communication as experienced by mid- to top-level business managers as comprehensively as possible" (Ehrenreich, 2010, p. 413).

This paper is based on semi-structured interviews as well. For the selection of the interviewees, three factors have to be taken into consideration. First, it is important to question employees from different departments, to represent the whole company and not only a single part. Second female and male employees should be questioned equally. Last, there should be a proper mixture of German native speakers and those with other mother tongues. The age or the amount of months already working in the company are not taken into account, as also new employees could have already observed the usage of English in the office and the average age of the employees is considerable young.

In line with the research of Kankaanranta and Planken (2010, p. 386) the interviews are structured using the following topic guide:

1. The use of English at work (why, when, how much, with whom, about what)



2. The nature of English communication (characteristics, differences / similarities between speakers etc.)
3. The notion of “success” in BELF communication, the (individual and situational) factors that contribute (or not) to such “success” and the strategies that individuals use to optimize their BELF communication in the interests of “success.”

Additionally I formulated the following fourth topic:

4. The belonging to a specific group at work, may it be work-related or with colleagues in non work-related activities (for example table soccer, lunch, ...).

The interviews were held on site in a 15 to 30 minutes time setting, time and date varied with every interview partner, depending on their normal work-schedule. The nine interview partners were recruited through a call for interviews as an entry in the company-internal news board on an internal Wiki. Nine employees announced their willingness to be interviewed, unfortunately only two of them were males and seven were females. Five of the participants were German-native speakers and the other four had Philippine, Turkish and Italian as their mother tongue. The interviewees work in different departments such as iOS Development, Marketing, Translations, Support and Advertisement and were all younger than 38 years of age. All the nine interviews were recorded and transcribed after.

## 4 RESULTS

The relevant text passages of the nine interviews were coded thematically using the software MAXQDA (maxqda.com). The following results are structured alongside the themes that emerged after classifying the coded data. Not every theme includes the same amount of codes, but has an equal significance for this research. As discussed above, English here is defined as “English as a business lingua franca” (BELF), which describes a contact language for communications between interlocutors with different mother tongues within a business.

### 4.1 English usage in the office

When it comes to the amount of English usage in the office, the findings show that it highly depends on the users mother tongue and on the colleagues they interact with the most. For German native-speaker the tendency was higher towards German as their main communication language in the office, while those with other mother tongues like Italian or Philippine definitely use English in their every day communication, as participant G lines out: *“English yes, definitely hundred percent. But from my point, I think that not everyone can say the same. I think for [German] natives it would be like fifty-fifty I would say, or also like 70 percent German.”*

The same differentiation has to be drawn when it comes to reasons to use English. While for German-native speakers it is clear that they would switch to English when a non-German speaking person is present, non-German native speakers have to use English in order to be able to communicate at all. The reason to use English therefore is *“mutual understanding. I mean if you talk to people it's most of the time easier to find a common language and this is most of the time English [...]”*, as participant D explains. The interviewees also referred to external communication, with customers or partners, where for them perfect English is very important as it gives a first impression of the company itself.

When it comes to meetings or non-work related conversations, the interviewees differentiate the language usage in two ways: First it is clear for all the participants that meetings are held in English when a non-native German speaker is present. Second the interviewees take more effort into understanding and expressing their intend when it comes to meetings than in

conversations at lunch or breakfast.

Most of the interviewees emphasized on the advantages on using English in the office, as they see it as an opportunity to improve their own English and for everyone to participate in the conversations and meetings equally. For some employees however it might be an extra effort to use English and they cannot express themselves the way they would in their mother tongue.

## **4.2 The nature of English communication**

Most of the participants estimate their own expertise of English at a very high level and do not have troubles using English in the office, as most of them spent some time abroad already or have to use English to communicate. In a conversation they would not correct one another, only if they know the person likes to be corrected or they are good friends already. There is no need for a correction as it is not relevant for the conversation as long as the context is understood. Even so, participant J states that she uses a simplified form of English, *“Because yeah I know that there are of course people who speak perfect English, Austrians, non-Austrians whatever but I still just stick to the simplest form, just to avoid miscommunication of any sort”*.

## **4.3 Understanding issues**

Misunderstandings occur from time to time, but none of the interviewees could recall an incident that happened because of the usage of English. The misunderstandings referred to would happen in any language, such as wrong translations or misunderstandings because of the different cultural background. It is no problem for the interviewees to follow the context of the conversation, only if they enter the room in the middle of a conversation, which is again not language dependent. If out of some reason there is a misunderstanding, they would just solve the problem by asking. *“Maybe it might be to obvious for me, but yeah its asking - hey I did understand this a little different than you, hey lets sit together and just work it out”*. Some use the earlier discussed let-it-pass strategy and wait until they can make sense of the word out of the context.

When it comes to a differentiation between native English speakers and non-natives, there is not a clear tendency. For participant A it is sometimes difficult to follow along a conversation of native English speakers, while participant C enjoys talking to native speakers even more. He though lines out that *“[...] there is a difficulty, if the dialect ... if the native speaker has a harsh dialect, for instance [...] Australians might be hard to understand [...]”*.

## **4.4 The notion of success**

The majority of the interviewees noted that a conversation is a success when there is a mutual understanding of the other person's intent and every participant of the conversation understands the context. Participant A describes it the following way: *“[...] so for me success in English communication is more like if you carry out your original purpose in that language, then it's already a success”*. In addition to that it is important that the participants could express themselves properly and they are able to build a relationship with the other person. In order to achieve a mutual understanding, it is important for the participants to use English if the other person is not able to speak German and to explain unknown words to the other person.

## **4.5 The usage of other languages**

German is the mother tongue of most of the employees and the company is situated in a German speaking country. For this reason the German native speakers which where part of

this study, explained several times, that they would switch to German immediately if there was no non-German native speaker present. Furthermore, for participant G it is highly inappropriate that she is not able to speak a high level of German, *“So I feel really ashamed that I am not fluent in German. It’s really bad. Yeah, I am really strict about that - it’s really bad! And when I am outside of Runtastic I never speak English to anyone”*. In addition J lines out the difficulties when sitting with German native speakers at one table, as she cannot participate in the conversation *“[...] the Austrians sit together and speak German, that’s really common and nobody can deny that. And so nobody speaks English. Even if there is one person who can not speak, they still speak German”*. (sic)

When it comes to other languages like Italian or Turkish it highly depends on whether they need it for their job, for example in translations, or another person with the same mother tongue is working at Runtastic as well. Otherwise they would not use their mother tongue at work.

#### 4.6 Group formations

Some of the participants felt that there were no specific groups at Runtastic, except within the departments. On the contrary though most of the interviewees mentioned the international employees as one group. Which is for them understandable as C expresses: *“I get it because [...] I am a native, I have been living in Austria and Linz my whole life, so that means I have my family and my friends here and my social groups. And people coming from other countries, they leave their friends and families behind and the closest thing they have to friends ideally are colleagues”*. This results in the internationals staying together and the Austrians, or German native speakers, building groups. Despite this some of the participants expressed that they would prefer a mixture of nationalities. Naturally there are some groups formed out of friendship after working together for several months or years too.

### 5 DISCUSSION AND CONCLUSION

The first results of the research show that BELF is a crucial part of the every day business at Runtastic and there is simply no way around it. The conversations in BELF are mostly held between non-native English speakers but the self-assigned level of expertise in English is relatively high. Most of the interviewees also emphasized the importance of a mutual understanding, no matter the grammatical mistakes or the misuse of words. For a success of the conversations held in BELF it is integral to know the words of their field of expertise, for example marketing or iOS development.

Within groups the preferred language depends on the interlocutors. For the internationals within the company of course this would be (B)ELF, as they have no other way of communicating. For the Austrian employees it would be German, as soon as there is no non-German speaking person present. Along this, the two biggest groups are formed: the internationals and those originating from a German-speaking country.

The study has limitations, as no English native speaker was interviewed and only two male employees were part of the interviews. As it is a case study it cannot be generalized for international businesses. I can only provide a glimpse of the usage of (B)ELF within one multicultural work environment, for the whole group of users world wide.

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# Session C

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Intercultural  
Perspectives in  
Higher Education,  
Teaching and  
Learning

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**Chair:**

Martina Gaisch

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# ***Exorcising Dust - a Reflection on Cultural Differences in Understanding Ads***

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## **ABSTRACT**

The paper at hand demonstrates a methodology of teaching intercultural differences, based on an exercise using the analysis of advertisements. The method was used in two MOOCs (Massive Open Online Courses) called cope 14 and cope 15 and, in slightly adapted form, in a lecture in cross-cultural management on Bachelor Level. This method aims at reflecting the own expectations on how the other side will react to different marketing messages and to learn about cultural differences by comparing these expectations with actual feedback. In the MOOCs students researched ads, which they considered worthwhile for discussion and presented them on the online platform, together with their own opinion or interpretation, asking their colleagues for theirs. The resulting media gallery and the connected discussions on different social media, demonstrate the scope and reach of this student centered teaching method. In total more than 600 media were presented, analysed and discussed. On the Bachelor level, more than 150 students from two courses in Austria and India had the task to choose ads, they believed to be understood differently by the other side and reflect on those expected differences. After the reflection was done and the expectations have been put to paper, the students had the opportunity to transmit the ads to their colleagues and ask them concrete questions about what they think about them. Example ads from both learning environments are presented, analysed and discussed concerning the differences found between the expectations of one side and the real feedback of the other side. The results clearly indicate, that cultural dimensions could be used to explain some, but not all – or even the majority of all upcoming issues and that alternative models of explanation need to be used. The use of student centered learning scenarios proved to be a powerful way for teaching intercultural management issues.

## **1 INTRODUCTION**

The educational landscape in Europe is changing. Paradigm changes cause universities all over the world to rethink their teaching concepts. (European University Association, 2008; Ernst & Young, 2012). Universities need to find ways to adopt to the new trends and to offer teaching, which is student-centred and output oriented. (Ernst & Young 2012; The Economist, 2014).

Student centered means to put the students, but not the teaching staff in the centre of attention. "Student-centred learning is a broad teaching approach that encompasses replacing lectures with active learning, integrating self-paced learning programs and/or cooperative group situations, ultimately holding the student responsible for his own advances in education." (Nanney 2004, S. 1) The role of the teacher is – in this context – changing from lecturer to moderator or coach. Output oriented refers to a competence based teaching style, which is primarily setting the competence of the students, not the contents of the teaching into the centre of interest; as opposed to the input, meaning those elements which have been taught - which is often a relevant difference. The set aim is, from this point of view, to allow the students to solve actual tasks in a competent way, not just to be able to show that they know the theory by heart (compare Baumann & Benzing, 2013). The term knowledge transfer has been replaced with training competences. It is not aim anymore to grade what students know, but what they can actually do with this knowledge. "In the last years the term competence has been

established as new term of reference in all educational sectors and has – at least for some time – replaced qualification and education.” (Zürcher 2010, S. 2, own translation).

Curriculum and syllabus adaptation has, in this context, often been faster than creating competence based learning activities and assessments. A competence based assessment of students is still not done in all educational institutions. Erpenbeck is – in this context – even speaking of a kind of war:

“A war for the best, for those having competencies to act as high potentials, for competences and competent, which, if you like, could be called talents. Winner in this world-wide war will be those, who will command the best methods for measuring and training competences. Competence mathematics is a relevant topic for the future with enormous reach.” (Erpenbeck 2008, S. 1, own translation).

The term competence itself is, as so many other terms in the social science, not defined exactly and often discussed. The current paper follows the definition of Erpenbeck und von Rosenstiel (2007), they define competences as dispositions for self-organization, skills of persons which enable them to act in a self-organized, creative way, in situations new to them.

What we currently need are teaching activities, which fit the paradigm change discussed above, optimized for higher education and a competence based approach. The paper aims to demonstrate how learning activities can be successfully adapted to this new paradigm and to discuss advantages and disadvantages. This is done using examples from an exercise designed for teaching intercultural differences, which was used in two MOOCs and in slightly adapted form in a Bachelor level course.

## **2 MAKING CULTURAL DIFFERENCES VISIBLE**

Communication across cultural borders is difficult. It does not matter if this communication should happen between nations, institutions or simply between two people from different cultures, it can always result in unexpected perceptions and reactions. It can be interesting, challenging, funny, complex, problematic, surprising, a great experience or just boring. Intercultural communication depends strongly on how we understand our own culture and which differences we expect to find when comparing our own with other cultures. Depending on the situation we might find this differences to be positive or negative. Culture describes, how people understand the reality around them, but it is not just a product of the community, it is more personal, half-way between human nature and our own preferences and traits. “Culture hides more than it reveals, and strangely enough what it hides, it hides most effectively from its own participants.” (Hall, 1976)

While the individual perspective of the traditional concept of culture was marked “by primary collectivity and attributive congruence” (Hansen, 2009b), modern concepts of culture realize that culture has, in a globalized world, grown into a much more “fuzzy” concept (Bolten, 2013). Every one of us is understood to be part of growingly complex network of relations, which form a very individual “culture”. This more complex view of culture cannot easily be analysed or understood just by using simple methods, which reduce it to a number of linear dimensions (Hofstede, 1991; Trompenaars, 1998; House et al., 2004).

“The claim of differentiation as a characteristic of cultural customs is closely related to the developments in the field of individual collective membership. While the traditional concept of culture understood this relationship between individuals and their collectives to be one marked by primary collectivity, the accelerating increase in the number of

available collectives and their mutual influence demands a fundamental revision.” (Hansen, 2009b)

As Bolten (2013) points out, we still need to be cautious on to hastily adopt new approaches of how to understand and teach culture. Cultural contexts are still determined by homogeneity assumptions: generalizations and stereotyping are still often used even in cases where more differentiated perspectives should be used. One way of teaching about cultural differences is to learn about one's own cultural baseline, reflecting on own perceptions and comparing these with the expectations and finally real reactions of “the other side”.

## 2.1 Teaching Methodology

Making cultural differences visible and tangible is a central part of learning about intercultural interaction and communication. In the bachelor course for intercultural management theories about culture are presented and demonstrated using examples and case studies. To facilitate this process different media (audio, video, and printed cases) are used. The format of the course itself is a short lecture with one semester hour. About 65 students participate.

The following exercise was developed in this course: Students had the task to find specific ads, of which they believed that they would be understood differently in another culture, in case of this year's exercise specifically in India.

The first step was to purposefully select ads and describe elements, of which the students expected, that the Indian colleagues would interpret the message differently than themselves. The students needed to document in writing, what they believed the Indian colleagues perception to be. In a second step, the expectations of the students were compared with reality. To do this, the students were asked to send the ads and a set corresponding questions to colleagues in India. While the notion that different interpretations exist is trivial, the formulation of questions to investigate their understanding is not. The answers to these questions were used to judge the real reaction of the other side and finally to compare it with the own expectations – often with surprising and spectacular results.

A variant of this exercise was also provided in scope of a MOOC. MOOCs are a global educational phenomenon, the term is an abbreviation for “Massive Open Online Courses”, which might be one of the most important factors for the digital educational revolution (The Economist, 2014). “Massive” stands for a near limitless number of learners; “open” defines the content as being accessible for the public, no one is excluded; “online” describes the web-based nature and “course” finally defines it is a structured learning method for a specific topic, including learning aims. (Treeck, Himpel-Gutermann & Robes, 2013). Learners all over the world, which have an internet access, internet media competence and the respective language skills, can inscribe in MOOCs.

As a university of applied sciences FH JOANNEUM is always interested to use new learning methods and to adapt the possibility to study to the new teaching environment and to stakeholder requirements. As such FH JOANNEUM offered a MOOC with the name „Competences for Global Collaboration – cope14“ in 2014, which was repeated 2015 as „cope15“. This MOOC was aimed to include students and staff from FH JOANNEUM and Partner universities, but was also open for other participants from all over the world.

In one module of this MOOC, the participants had the task to find advertisements, which they considered typical for their own culture and to present them to the community. The resulting media gallery and the connected discussions on the platform itself and in different social media, demonstrate the scope and quality of this student centred task.



Possibilities for learning have proven to be vastly different for students from different areas and institutions. The learning processes which have been started through this exercise, have not been the same for each person, but have been strongly depending on how much a person has been immersed in the task and how much he or she has been involved in different discussions. The variety of links and comments offered was immense and everyone had the possibility to create a very personal learning path.

In total (in both MOOCs together) more than 600 advertisements have been presented and discussed. All of these have been found, analysed and presented by the participants themselves. The content, which resulted from this enormous number of postings and comments was so large and diverse, that it can be safely assumed, that no single lecturer would have had the chance to produce a similar learning environment. Through the answers from students from different cultures and fields of study many differences in perceptions of these ads became obvious.

### 3 EXAMPLES

In one example for the Bachelor course, the students have were an advertisement (Dirt Devil, 2011), which shows, in homage to the movie „The Exorcist“ a Catholic Pater, who is called to a house, where he finds a young woman, which shows all signs of possession. She is even floating close to the ceiling. In the next scene the camera is slowly sweeping up to the next floor, where an older woman is vacuuming the carpet. It becomes obvious that the floating woman is following the movements of the vacuum cleaner. The students noted the following: “We were quite unsure, whether the concept of a devil does even exist within the Indian Culture, or within the Hindu Religion. Even if it is a well-known concept in India, we wanted to know, if fighting the Devil by exorcism was a thing that people from the Indian culture knew, and what they were thinking about it.” After their own analysis, they presented the video to their Indian colleagues, who answered: “In our Indian culture the concept of devil is present but we don't use it in day to day interactions. Devil is used in a negative connotation so we generally do not link any product with the characteristics of the devil and here devil is used to refer dirt. So anything which is unclean is being pulled by the vacuum cleaner as the girl in the advertisement is also unclean (possessed) she is being pulled by the vacuum cleaner.”



**Figure 1.** Dirt Devil Spot

Another group of students reported the following: “Finally, it needs to be mentioned that our initial second advertisement was a poster of the underwear company, Palmers, which exposed five women half naked, lying on their bellies. It was an ad about see-through tights which has been displayed for many weeks in several Austrian cities and suburbs. Our Indian colleagues refused to even comment on this ad, thus we decided to offer another commercial. This was probably the most significant cultural differences we got to experience through this valuable project.

The exercise in the MOOCs also produced interesting results. In one example the students chose an advertisement from Almdudler (2012) in which an obviously German tourist is hiking and somewhere in the alps shouts the – at least in Austria – well know slogan “If they don’t have Almdudler, I will return home!”, the echo surprisingly answers with “Pfiat di!”, which, in Austrian dialect means – in a friendly way – bye, bye.



**Figure 2.** Almdudler Spot

This video cannot be easily understood for persons, which are not from Austria or Germany. In the discussion about this video many different perspectives and opinions came up. Topics, which discussed were: the value of regional references in an advertisement, the relation between Austrians and Germans, the creation of simple and easy to remember messages or political correctness (and incorrectness). The discussion of the different topics happens in different platforms and media and is not always visible for the facilitator. Interestingly, very few perceptions or opinions, which might not have been well reflected or thought through when first mentioned remain unopposed, even without the facilitator intervening.

Numerous other examples, which led to the discussion of different topics, could be mentioned here. Especially messages from advertisements, which are much more aggressive and energetic or much more philosophical and thoughtful than what is usually used in Austria or Germany have been presented. For example an advertisement from Turkey (Never say no to Panda, 2010) was discussed, which aims at advertising cheese. Should the consumer not immediately take (and enjoy) the offered cheese, a Panda appears, which is immediately, brutally and directly showing his disagreement (e.g by smashing the office).

## 4 DISCUSSION

While in the first version of the exercise the own opinion can easily be cross-checked with the target culture, often showing that the own expectations about the reaction of a target culture are not met, the second version allows to produce a large amount of examples and opinions in a relatively short time and allows to see how different reactions can be. Both exercises lead to an immediate understanding about the problems of perception, which is mostly filtered by our own culture and how difficult it can be to try to apply schemata or typologies on a foreign, unknown culture as any application of such would also be dependent on our own cultural filter. Using the example of “exercising dust” it can be easily understood that the underlying concepts are related to different layers of culture (Schein, 2010). The Austrian students referred to the act of exorcism as a ritual and the meaning of the devil as a symbol, which are, according to Schein both situated in the first “artefact” layer of culture. The Indian students referred to the underlying basic assumption of “unclean” entities and their meaning in Indian philosophy and religion. It would be very difficult indeed to explain the differences between the Austrian student’s expectations and the real Indian student’s reaction, with the use of cultural dimensions as defined by Hofstede (1991) or Trompenaars (1998), which do not allow for taking these different layers into account. This is an important message for students, who just learned about cultural dimensions as one way of analysing cultural differences. While these models might provide powerful tools they should not be over interpreted.

While it is of course trivial to find if cultural differences in the understanding of the “Almdudler” spot exist, the analysis of the own expectation of how others would understand it is not. The MOOC platform made it possible to understand the sheer multitude of factors which influence the understanding of this (or essentially any other) ad. While some of the participants considered the question of the importance of political correctness in advertisements the central element for discussion for this ad, others were focussing on completely different elements like the regional impact or the formulation of short easily to remember slogans. For some persons this specific ad was offending, for some it was annoying, for some funny and for other simply weird. It is an important lesson that receiving the meaning of a message is dependent not only from the sender or the content of the message, but also from the receiver (von Thun, 2013) and that culture can add an additional layer of complexity.

The results demonstrate clearly that learning about cultural dimensions (e.g. Hofstede, Trompenaars) to understand foreign cultures cannot be sufficient and the reflecting your own cultural baseline is of utmost importance. In the current globalized world with “multicollective persons and polycollective cultures” (Hansen, 2009) it is imperative to look at the topic culture in a new open minded way. Cultural dimensions, like the ones proposed by Hofstede et al.(1991) or by Trompenaars and Hampton-Turner (1998) will still serve their purpose to make fast cultural comparisons, which are easy to understand, but they cannot really mirror the fast changing, growingly complex cultural mix, that usually forms “the other side”. Student centred, output oriented approaches, which aim to allow for the students to make their own experience in a secure, protected environment might be one way to go, as they at least allow to grasp the complexity of the issues involved.

### 4.1 Limitations

While the presented teaching methodology allows for comparing expectations with real reactions, and allows for making the complexity of the topic visible, it does not provide any answers for how to handle these differences or how to successfully adapt one’s own view. Learning about the differences in perceptions does not automatically make a student an intercultural competent person. As such the existing methodology can only serve as an entry

point for students to get deeper involved into the topic. As with any student centered methodology the teaching person needs to move from the classic position of a lecturer to one of a moderator or coach. This involves a loss of power over the teaching process and moves this power to the students or even to external persons (e.g. students in India) with all the connected advantages and disadvantages. While MOOCS might allow for powerful open learning scenarios, they also allow a student to get lost in topics and discussions, which are not aiming at the original learning content anymore. Students which are not aiming to stay focused can as such easily end up learning something completely different or even contradictory to the original learning aims formulated by the moderator, which might be an advantage or disadvantage.

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# ***Cross-Cultural Virtual Teamwork as an Instrument for Teaching Intercultural Competence: Example of a Pilot Project Funded by the EU***

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## **ABSTRACT**

Virtual teams, whose members are geographically dispersed and cross-functional, yet work on highly interdependent tasks (Malhotra et al., 2007) is one of the basic features of process and project oriented organizational structures of Industry 4.0. The advantages of such virtual structures are high flexibility and use of talent and competence which is independent of place of work. However, on the other hand, there are lots of challenges which a virtual team has to overcome to work successfully. It requires a totally different kind of leadership and it demands a high level of social competence from the team members and soft-skills like intercultural competence, ability to develop intra and inter team relationship bonds, ability to work across functions and disciplines (Cohen & Gibson, 2003). Studies have shown that the employability of students from engineering and technical colleges depends on their soft skills. However, these competencies are not usually addressed in engineering. In the diverse environment of the current labor markets, it is essential to promote teamwork and communication skills at an international level. The Multinational Undergraduate Teamwork Project was one of the projects which was funded by the EU as a pilot project to encourage the development of interdisciplinary and intercultural competencies of the students coming from different disciplines.

In the Multinational Undergraduate Teamwork course, students conduct a major project as members of an international team coming from different disciplines and different institutions. Except for the kick-off and final meeting, students work in a virtual team and atmosphere. Team members are geographically spread to ensure that the teams are heterogeneous and to promote international cooperation. It is argued that this paradigm can be applied to any project or internship course unit. The results from the pilot programs support the authors' initial hypothesis that this innovative paradigm significantly promotes the development of soft skills in students.

## **1 INTRODUCTION**

Technological and social developments in the last couple of years have caused significant changes in the way in which people live and work. Internet, for example, has introduced a whole new variety of ways how people can collaborate in virtual teams across geographical and cultural borders (Odlyzko, 2003). The implication of technological progress has the potential to shape our environment significantly. Fraunhofer Institute, for example, has termed this as the "Working Environment 4.0" based on a forecast of 100 experts (Fraunhofer IAO, 2014). This scenario describes the work and living environment of office and knowledge workers in the year 2025. It shows that in the knowledge intensive society of today, the capacity to be efficient, innovative and creative at the same time, is a crucial factor for success. Experts agree that the importance of these skills will increase due to the new era of industry 4.0 (Fraunhofer IAO, 2014). An increasing number of people are facing highly flexible and multi-local forms of work in their daily life. Synergetic demands of individuals and organizations support this development (Guichard, 2001; Crites 1974).

A segment of students, who are particularly affected by rapid technological progress and increasing requirement concerning constant self-development and flexibility, are students from the IT sector (Karsenti, 1999). In 2010, the Association for Computing Machinery and the Association for Information Systems presented a revised model curriculum for undergraduate degrees in information systems (ACM, 2010). This model identified leadership, collaboration and communication as the basic components of knowledge and skills required in information system graduates. Modern economies are highly dependent on technology, requiring engineers to excel in collaboration and communication skills in international settings (Wieman, 2008). However, these competencies are not usually addressed in engineering and information science courses. One of the basic problems is how, in the context of universities and colleges offering technical courses, to create an environment which fosters the development of such skills.

The Multinational Undergraduate Teamwork Project (MUTW) is one such attempt to find a solution to the existing problem in technical and engineering institutions. Funded in the beginning as a pilot project by the EU, its main purpose is to test new pedagogical instruments to encourage the development of interdisciplinary and intercultural competencies of the students. In the Multinational Undergraduate Teamwork course, students conduct a major project as members of an international team coming from different technical, management and art disciplines and from different institutions and countries. Apart from the kick-off and final meeting, students work in virtual teams and scrum environment. Team members' backgrounds in terms of geography, are spread out to ensure that the teams are heterogeneous, and to promote international cooperation. The collaboration, which lasts a full semester, has the aim of developing and presenting a solution to a given problem. (Escudeiro & Escudeiro 2012). In addition to the opportunity of developing soft skills, the MUTW project is supposed to teach other competencies like, for example, applying the innovative scrum project management methodology (as in MUTW project in 2015).

## 2 LITERATURE REVIEW

It is of extreme importance to assist the teaching community and to provide strategies on how participants can learn in an interactive virtual environment. These strategies should be more centered on the learners' projects and less in the transmission of content, which refers to the valorization of both the analysis and comprehension processes of the pedagogical methods and of students' learning processes (Simão, 2006). Based on the self-efficiency and results expectations, as well as on personal objectives, the authors of the career socio-cognitive theory have explained the influence which school and peer groups play in vocational development. They affirm that the peer group is a relevant source of information in bestowing meaning to the roles given in shaping, evaluation, performance and merit, ultimately contributing to the development of the individuals' vocational interests and values. The comfort models articulate the academic and professional objectives with the other life roles and tasks (Lent *et al*, 2004; Super and Sverko, 2005), as is the case of the role of the student in academic work teams.

The quality of the student's adjustment to higher education is strongly associated with social support and with the resources made available by peers (Brooks and Dubois, 1995; Felner and Felner, 1989; Terenzini and Wight, 1996). In the last decades, the theoretical and empirical development around the social support have enabled researchers to define, understand and elaborate on the role of perception and social support as a strongly predictive factor of well-being (Antonucci and Israel, 1986; Cohen, 1988) and of individual adjustment (Cohen *et al*, 2000; Cutrona, 1986; Cutrona *et al*, 1994).

That is why MUTW projects concentrate on learning based on the team work assumption. The team research (Sharan and Sharan, 1992) assumes that the students are the ones to determine what they should learn and how to do it, given the learning capabilities of each individual team member. According to the authors “the goal of this organization is to create conditions to allow students, in collaboration with their peers, to identify problems, plan together the procedures needed to understand and cope with these problems, collect the relevant information, and in cooperation (though not necessarily collectively) prepare a report of their work, usually in some creative and interesting way”.

According to the literature review outlined above, it seems that the improvement of the employability and communication skills of higher education students' would be an invaluable undertaking. It can be achieved with the help of a systematic and strategic teamwork deployment in an international and intercultural environment.

### 3 HYPOTHESIS

Based on the above literature, it is hypothesized that the MUTW project results in visible improvement in communication skills (including intercultural communication skills), and the ability to work in virtual teams. Accordingly, the null hypothesis shows no impact of the MUTW project on the communication skills of the participants.

#### **Implementation of the MUTW project/Testing of Hypothesis:**

The hypothesis was tested by collecting data obtained by both quantitative and qualitative methodology as well as the interpretation of the data.

In MUTW project, the cooperative learning paradigm is used as the basic concept. Cooperative learning is instruction that involves students working in teams to accomplish a common goal, under conditions which include the following elements (Tapscott and Williams, 2008, Escudeiro & Escudeiro 2012):

(1) *Positive interdependence*: team members are obliged to rely on one another to achieve the goal. If any team member fails to do their part, everyone suffers the consequences;

(2) *Individual accountability*: all students in a group are held accountable for doing their share of the work and for mastery of all the material to be learned;

(3) *Face-to-face interaction*: although some of the group work may be distributed and carried out individually, some must be done interactively, with group members providing one another with feedback, challenging each other's conclusions and reasoning. Perhaps the most important part of the interaction is teaching and encouraging one another.

(4) *Appropriate use of collaborative skills*: students are encouraged to help each other which teaches them the practice of development of trust, leadership, decision-making, communication and conflict-management skills.

(5) *Group processing*: team members set group goals, periodically assess what they are doing well as a team, and identify changes they will make to function more effectively in the future.

The MUTW methodology (Figure 1) is based on the creation and management of international teams of students who will collaborate during a full semester, with the aim of developing and presenting a solution to a given engineering problem. For the pilot project, aimed at analyzing

the hypothesis, students from 11 HEIs (Higher Educational Institutions) in 9 different countries were organized into two teams: the Orange team, which had 12 students, two from each of six institutions; and the Blue team, with 10 students, two from each of the other five institutions. The specifications of the problem presented to students – its architecture, main building modules and interfaces – were first described in brief by the group of partner institutions. Only the general operational rules were initially provided: students were required to interact and cooperate during the project in order to become familiar with other rules and protocols. At the end of the project, all modules had to be integrated and a fully operational system had to be presented.

Each team member was responsible for (a) developing a part of the whole solution; (b) justifying their technical options as an integrated part of the complete solution proposed by the team; and (c) collaborating with other team members to ensure that problems are solved within the agreed time and that all parts integrate to produce a unique solution. The team as a whole must produce a report and present the solution to the project jury.

*Multinational Undergraduate Teamwork and improving soft skills*

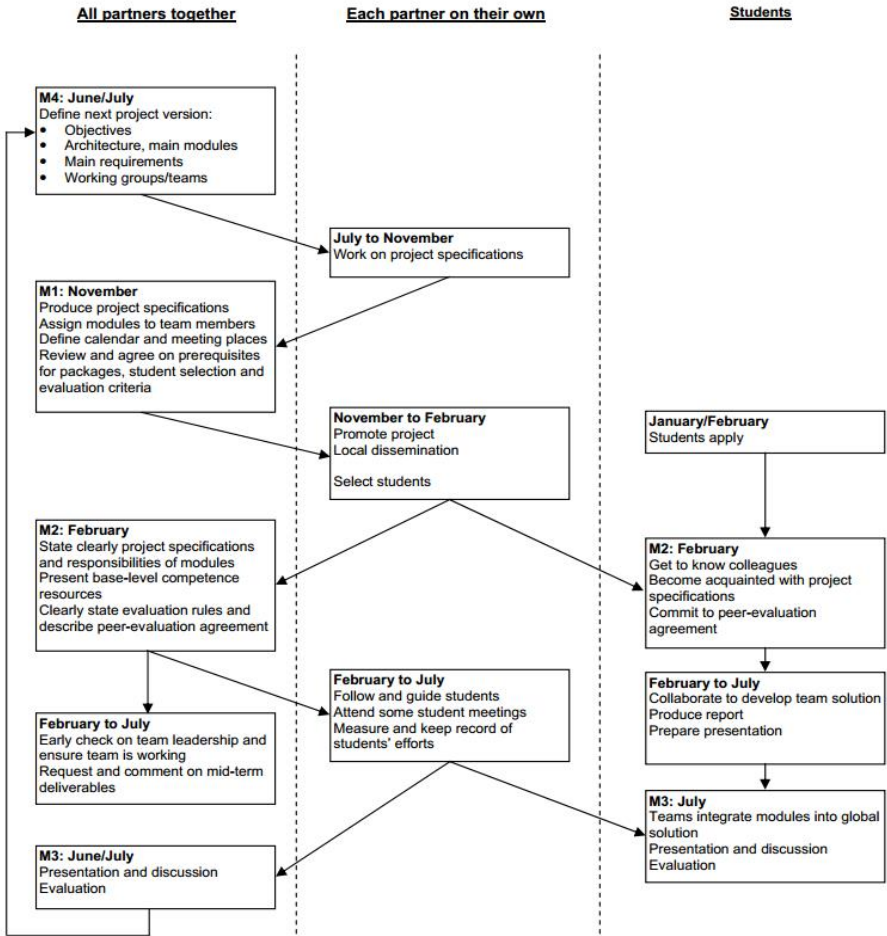


Figure 1.



## 4 EVALUATION

Evaluating students and their progress throughout the semester and their final assessment were based on data collected from several sources, including a student feedback form, final grades and grading criteria, assessment questionnaires from the initial seminars on competencies, and finally, usage statistics derived from the groupware platform used.

The student feedback form is a questionnaire that students complete, together with a peer evaluation form, at the end of the MUTW course and immediately following their final presentation. The student feedback questionnaire contains both multiple choice and open questions (the latter so that students can offer narrative comments on MUTW). The peer evaluation form allows students to express their opinions on the commitment of their teammates and on the overall performance of their team. Grading of students in MUTW is done by an international jury and is based on a set of criteria previously defined by the MUTW consortium. The grades achieved are, in part, a measure of the quality of the course and the extent to which students feel committed to it. This data is vital for the evaluation of the quality of MUTW as a course unit. Usage statistics provided by the online tools supporting communication among team members, the management of teams and the development of the final product were used mainly to confirm the commitment of the students to their teams. These statistical data served to confirm the perceptions obtained from students' supervisors as well as from the students themselves. The core data used in the current study came from the following sources: students' grades, peer evaluation and student feedback forms.

The data which was generated was then analyzed with the help of quantitative and qualitative methodology. Linear regression models were generated from feedback questionnaires and cluster analysis was done to test the quantitative data. Bardin's (2004) methodology was applied to the qualitative analysis, open-ended questionnaires and to content analysis. In this manner, the following results were obtained in the first and second pilot study (2009-2010, 2010-2011):

(1) MUTW improved teamwork skills due to academic/learning outcomes of the MUTW, personal outcomes and benefits from individual skills of team members; and (2) MUTW improved communication skills in an international setting due to the academic learning outcomes of the MUTW. The main outcomes from cluster analysis highlight the following aspects:

- The overall evaluation by students of the project seems to be consistent and in agreement with the evaluation of specific aspects;
- Some students had particular problems with the project; however, that does not appear to have had an effect on either its overall or its partial evaluation;
- Of particular note was the support given by home institutions and the opportunity to benefit from an intercultural experience, both of which received positive feedback from all students;
- The groupware platform used by students to communicate during the semester seems to be perceived as a weak aspect of the project. The level of satisfaction with this variable is below the level of satisfaction expressed for other aspects of the project.

The subset of the questions asking students to rate their level of motivation and the level of their satisfaction with the project were analyzed in terms of academic background, language, job situation and location in Europe. This data showed that the majority of the students exceeded or matched their expectations in all dimensions.

## 5 DISCUSSION OF THE RESULTS

Quantitative analysis of the results of the pilot project from 2009- 2011 has shown that this program has promoted soft skills without much change in the curriculum of the normal teaching (Escudeiro & Escudeiro 2012).

One of the basic assumptions of the MUTW project is the post- modernist concept that knowledge is created as a result of the co-construction of meaning within a group. This is the sine qua non for sustainable learning, as, it is based on lived experience. (Schwandt, 1994; Guba & Lincoln, 1994; Philips, 1995). Since students coming from different educational, social and cultural backgrounds meet on a virtual platform, learning takes place as a process of creation of new knowledge. This confirms the results of previous studies done in this area based on social constructivism (Spivey, 1997).

To conclude, this project shows not only how the process of learning takes place in a group, it also shows how cultural differences and a multidisciplinary approach can foster erudition of formal and informal skills.

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## APPENDIX

### Tables and Graphs

**Table 1.** Team members in the pilot programmes of MUTW.

Institution City, country

Instituto Politécnico do Porto Porto, Portugal

Katholieke Hogeschool Sint-Lieven Gent, Belgium

Glasgow Caledonian University United Kingdom

Faculty of Telecommunication, TU-Sofia Sofia, Bulgaria

Escola Superior de Enxeñeria InformáticaOurense, Spain

Ege University Izmir, Turkey

Technological Educational Institute of Crete,Heraklion, Greece

Kiel University of Applied Sciences Kiel, Germany

St Cyril and St Methodius University Veliko Turnovo, Bulgaria

University of Siegen Siegen, Germany

University of Iceland Reykjavik, Iceland

FH Joanneum, Graz (joined later)

**Table 2.** Students' evaluation scale

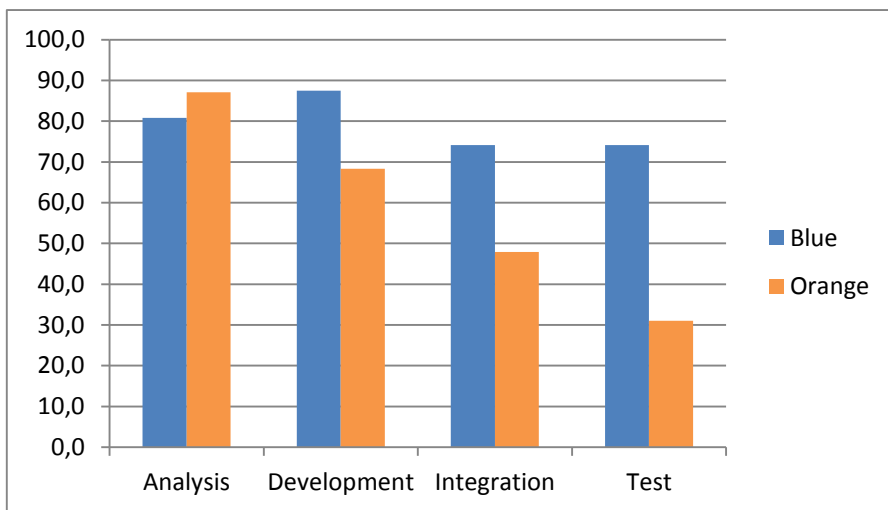
<40	Fail
40-50	Pass
50-60	Fair
60-75	Good
75-90	Very good
90-100	Excellent

**Table 3.** Assessment criteria

Weight	Apply	Evaluation criteria
10%	Team	(A) Base competences seminars
20%	Team	(B) Product, process
10%	Team	(C) Report
10%	Team	(D) Presentation
25%	Individual	(E) Management competence within team
25%	Individual	(F) Supervisor opinion

**Table 4.** Mean grades per team in the first pilot project

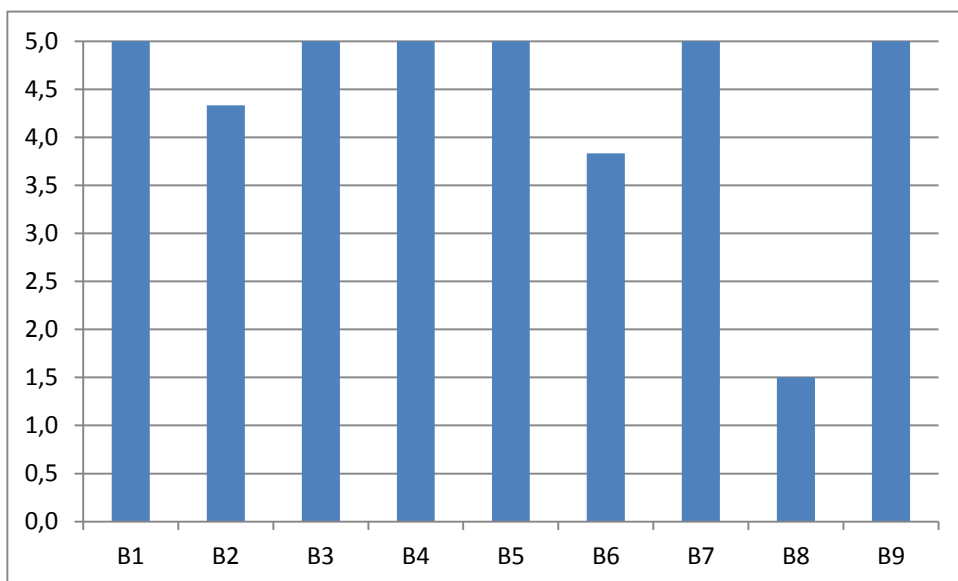
Weight	Apply	Evaluation criteria	Orange team	Blue team
10%	Team	(A) Base competences seminars	95	95
20%	Team	(B) Product, process	90	98
10%	Team	(C) Report	95	85
10%	Team	(D) Presentation	80	90
25%	Individual	(E) Management competence within team	83	84
25%	Individual	(F) Supervisor opinion	82	93

**Figure 2.** Comparison of team performance as perceived by team members**Table 5.** Member participation in the Blue team as perceived by peers

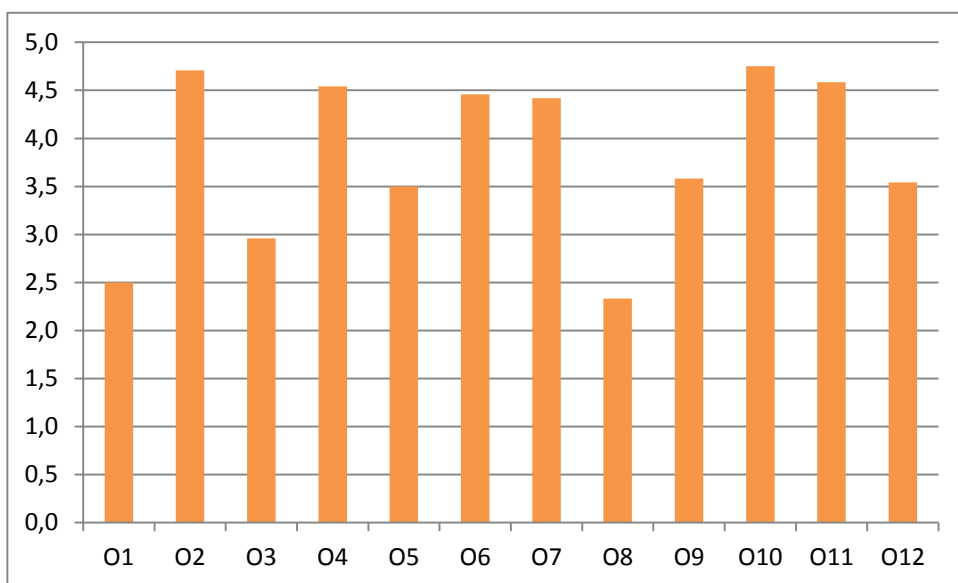
Student	B1	B2	B3	B4	B5	B6	B7	B8	B9
Mean %	14,6	10,3	14,6	14,6	11,7	10,0	11,7	0,9	11,7
StdDev	2,7	2,6	2,7	2,7	1,4	2,9	1,4	2,3	1,4

**Table 6.** Member participation in the Orange team as perceived by peers

Student	O1	O2	O3	O4	O5	O6	O7	O8	O9	O10	O11	O12
Mean %	4,0	10,7	3,9	12,4	6,7	10,6	10,6	3,5	6,7	12,9	11,4	6,5
StdDev	2,9	1,8	2,7	3,6	4,0	3,2	3,6	3,3	3,9	3,8	2,9	3,3



**Figure 3.** Blue team students' motivation



**Figure 4.** Orange team students' motivation

**Table 7.** Correlation between student participation, motivation and final grade in the Blue team

	Participation	Motivation	Final grade
Participation	1		
Motivation	0,95	1	
Final grade	0,97	0,99	1

**Table 8.** Correlation between student participation, motivation and final grade in the Orange team

	Participation	Motivation	Final grade
Participation	1		
Motivation	0,97	1	
Final grade	0,82	0,80	1

**Table 9.** Students' feedback variables

2a - Project assignment
2b - Duration of the MUTW meetings
2c - Subjects of the MUTW seminars
2d - Groupware platform
2e1 - Motivations: Academic
2e2 - Motivations: Cultural
2e3 - Motivations: Practice of foreign language
2e4 - Motivations: Friends living abroad
2e5 - Motivations: Career plans
2e6 - Motivations: European experience
3a - Support of MUTW consortium
3b - Support of home institution
4 - Academic recognition
5a - Academic/learning outcomes of the MUTW
5b - Innovative aspects in the project execution
5c - Interdisciplinary elements
5d - Personal outcomes
5e - Chance to profit from an intercultural exchange of experiences
5f - Benefits from individual skills of team members
5g1 - Seminars: hours taught
5g2 - Seminars: teaching equipment
5g3 - Seminars: capabilities and expertise of the professors
5g4 - Seminars: overall quality of teaching
5g5 - Seminars: expected learning outcomes
5g6 - Seminars: work sessions besides the seminars
5h - Serious problems during the MUTW

5i - MUTW will help in further studies/career
5j - MUTW helped improving creativity
5k - MUTW will help in finding a job
5l - MUTW improved communication skills in an international setting
5m - MUTW improved team work skills
5n - MUTW improved European feeling
G - Overall evaluation of MUTW

**Table 10.** Motivation/Evaluation questions

Motivation	Evaluation
2e1 - Motivations: Academic	5i - MUTW will help in further studies/career
2e3 - Motivations: Practice of foreign language	5l - MUTW improved communication skills in an international setting
2e5 - Motivations: Career plans	5k - MUTW will help in finding a job
2e6 - Motivations: European experience	5n - MUTW improved European feeling

**Table 11.** Expectation Degree per Dimension

	Dimension			
	Academic	Language	Job	Europe
Expectations mismatched	29%	18%	47%	18%
Expectations matched	41%	41%	41%	53%
Expectations exceeded	29%	41%	12%	29%



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# **Cross-Cultural Competence: The Impact of a Collaborative Cross-Cultural Training Sequence**

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## **ABSTRACT**

Organizations depend on a globally distributed workforce to access individuals with the best knowledge in the most promising markets. International business students must develop cross-cultural collaborative skills. Self-efficacy is a desired outcome of cultural training, which can influence how a person approaches goals, tasks, and challenges. In this study, 35 students from TH Köln – Technology, Arts, Sciences (TH Köln) were paired with 35 students from the University of Wisconsin-Whitewater (UWW) during the fall 2015 semester. Another 31 TH Köln students were paired with locally based peers from different cultural backgrounds. All pairs completed a five-week training sequence designed to foster cultural competencies. Ultimately, students delivered a cross-cultural report that required independent research and interviews with local experts. The training sequence was inherently complex given the cross-cultural nature of the activity. The prescribed time to complete each task within the training sequence was short to amplify the activity's complexity. Self-efficacy perceptions were recorded at the beginning and end of this cross-cultural partnership to determine training effectiveness using an adaptation of Scholz et al.'s (2002) General Perceived Self-Efficacy scale, Briones, et al.'s (2009) Cultural Self-Efficacy scale, and Ang, et al.'s (2011) Cultural Intelligence scale. The study results indicate a significant increase in self-efficacy from the students' pre- and post-training responses. The study contributions are identified while limitations are acknowledged, which reveal several interesting possibilities for future work.

## **1 INTRODUCTION**

Organizations increasingly depend on a globally distributed workforce to access individuals with the best knowledge in the most promising markets (Neely, 2015). Consequently, international business students must develop skills in conducting cross-cultural collaborative exchanges. Interest in cultural training initiatives as a way to stimulate sensitivity and behavioral change in the multicultural work world is increasing (Roberson et al., 2009).

There are many definitions for cross-cultural competencies (e.g., Behrnd & Porzelt, 2012; Deardorff, 2004; Peña Sebald, 2008; Williams, 2009; Woltin & Jonas, 2009). The definition employed in this study was, "the ability to communicate and work effectively and efficiently in every-day and business situations with people from different cultural backgrounds" (Friesenhahn, 2001, cited by Behrnd & Porzelt, 2012, p. 214). In contrast to Friesenhahn, but consistent with Woltin and Jonas, it is irrelevant whether the situations take place in a home or in a foreign cultural environment.

Cross-cultural competencies are generally divided into cognitive, affective, and behavioral competencies (Williams, 2009). The collaborative cross-cultural training sequence focused on behavioral cross-cultural competencies since students engaged in an actual cross-cultural business scenario. Due to the hierarchical nature of the Williams model, cognitive and affective cross-cultural competencies must also be part of the training.

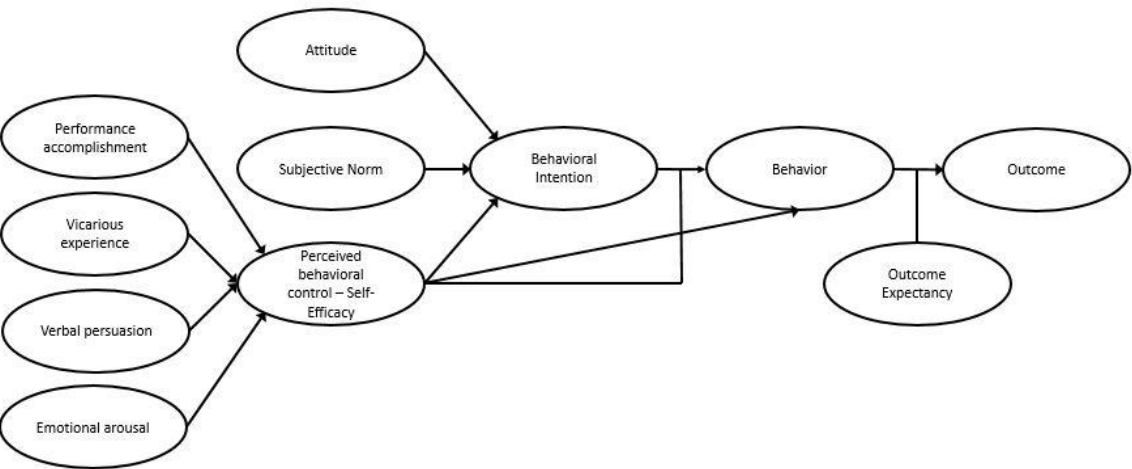
Paluck (2006) posited in a study within an academic environment that training sequences are often designed intuitively and are not based on a professional scientific basis. In general, the

impact of a training sequence is demonstrated only by a course evaluation, which is more of an evaluation of the participants' satisfaction than an impact analysis (Brand, 2015). While the assurance of learning is critical in a higher education context, what ultimately matters is the success students achieve in their future business experiences. A component of the context transfer from life as a student to life as a business practitioner is self-efficacy expectancies (Roberson et al., 2009). The objectives of this study are to a) describe a collaborative cross-cultural training sequence based on the self-efficacy model of Bandura (1997) and b) test the impact of the training sequence on the self-efficacy of the participants using a pre-post-test design.

**2 A COLLABORATIVE CROSS-CULTURAL TRAINING SEQUENCE BASED ON THE SELF-EFFICACY MODEL OF BANDURA**

**2.1 The impact model**

The concept of self-efficacy expectancy (Bandura, 1997, 2012) is one of the most well-known and important concepts within the social-cognitive theories of learning. Bandura defines perceived self-efficacy expectancy as a person's evaluation of the degree to which s/he would be able to perform a given behavior to reach previously established goals. The four sources of self-efficacy expectancy include performance accomplishments, vicarious experience, verbal persuasion, and emotional arousal (Bandura, 1997). His work supports the conclusion that high self-efficacy expectancy is connected with better performance. Perceived behavioral control, a construct from the theory of planned behavior (Madden, Ellen, & Ajzen, 1992), refers to an individual's perceptions of their ability to perform a given behavior. Perceived behavioral control is conceptually similar to self-efficacy since both theoretical constructs capture an individual's perceptions of their ability to perform a given behavior. Figure 1 illustrates an impact model that extends the theory of planned behavior model by introducing the four sources of self-efficacy as antecedents to perceived behavioral control.



**Figure 1.** Impact model (adapted from Bandura (1997) and Madden et al. (1992)).

## **2.2 The design of the collaborative cross-cultural training sequence**

The study's training sequence occurred over a five-week timeframe in October and November of 2015. Thirty-five UWW students partnered with 35 TH Köln students. Since there were more students registered for the course in Germany, the remaining 31 TH Köln students were paired with locally based peers with different cultural backgrounds.

The week one training sequence began with an icebreaker activity to learn more about his/her partner. Each student was required to prepare an introductory video presentation of his/her partner for the other students.

The focus of weeks two and three was on cultural background differences. Using the national cultural dimensions of Hofstede and Hofstede (2009), every student addressed a series of questions and prepared his or her own 'cultural repository'. Once completed, each student compared their personal cultural scores with his or her partner and predicted the likelihood of collaboration success based on similarities and differences. Each student pair was required to write a short paper about their findings and conclusions.

In weeks four and five, students researched and wrote a report about similarities and differences in teamwork between their countries. Student pairs were required to produce a list of questions to ask local experts, conduct interviews with local experts, compile responses, and collaboratively write a five-page paper.

Students were permitted to use any available communication technology to collaborate. UWW and TH Köln student pairs primarily leveraged collaboration tools for which they were already familiar, such as Facebook and Skype. Each pair was provided a shared electronic space in a learning management system and was required to maintain a repository of all training documentation on this system.

Three of the four sources of self-efficacy identified by Bandura were embedded in the design of the cross-cultural training sequence. Performance accomplishment is a student's confidence in their ability to function in a multi-cultural environment and was expected to increase as the student executed the required tasks. Vicarious experience involved periodic in-class meetings to help students prepare new elements of required tasks and present progress to their classmates. Students could see that their classmates were able to fulfill the tasks successfully, which boosted their own confidence. By comparing their work to the work of others, students could transfer the success of others to their own efficacy and be able to fulfill the task. Verbal persuasion involved instructors providing feedback and encouragement to students in class as well as in one-on-one meetings to strengthen opinions of their abilities to execute the requested tasks. The prompt return of delivered papers with constructive feedback also helped students gain confidence as they fulfilled the requirements.

This fast-paced training design provided students with a more realistic working situation. Businesses typically don't wait weeks to respond to delivered content. By executing the requested tasks successfully, students were expected to improve their self-efficacy in cross-cultural business situations. Consequently, we hypothesize that students that take part in this collaborative cross-cultural training design have a subsequent improvement in their cross-cultural self-efficacy.

### 3 TESTING THE IMPACT OF THE COLLABORATIVE CROSS-CULTURAL TRAINING SEQUENCE

#### 3.1 Method

##### 3.1.1. *Design*

Students completed several self-efficacy scales as well as answered some demographic questions both before and after the collaborative cross-cultural training sequence. Both questionnaires were offered in electronic form. All students were required to complete the survey.

##### 3.1.2. *Sample*

The 100 student participants were divided into two distinct subgroups. The first subgroup consisted of 35 UWW students in business (40.0%), computer science (51.4%) and other combinations (8.6%). Males substantially outnumbered females (77.1% male) and were between 20 and 28 years of age ( $MD = 21.63$ ,  $SD = 1.51$ ). The second subgroup consisted of 65 students in the international business bachelor program at TH Köln, 25 of which came from other countries to study in Köln for at least one semester. Unlike the UWW cohort, 64.6% of the TH Köln students were female. Their ages ranged between 18 to 42 years old ( $MD = 22.62$ ,  $SD = 3.86$ ). One student joined the course later and did not complete the pre-test questionnaire. Results from that student's experience were removed from the analyzed dataset. Half of all student participants were male and half were female. 82% of all student participants were business students while 18% were pursuing degrees in computer sciences or other subjects. Student ages among all student participants ranged from 18 to 42 years old ( $MD = 22.27$ ,  $SD = 3.26$ ).

##### 3.1.3. *Instruments*

**Demographic data.** Data about age, gender, nationality and some questions about student learning and working habits were gathered in the pre-test questionnaire. The post-test questionnaire captured feedback about the course design.

**General Perceived Cultural Self-Efficacy.** The General Perceived Self-Efficacy scale (GPSE) from Scholz et al. (2002) was adapted to capture student opinions about cross-cultural teams. Students responded using a 4-point Likert scale ranging from total rejection (1) to total acceptance (4). The scale was highly reliable with Cronbach's  $\alpha = .79$ . No items were excluded from the subsequent analysis.

**Cultural Intelligence.** The cultural intelligence scale consisted of four subscales (Ang et al., 2011). The instructors opted to use the subscales for Motivational (MCI) and Behavioral Cultural Intelligence (BCI) using five items to measure each construct. Items had to be answered on a 7-point Likert scale ranging from total rejection (1) to total acceptance (7). Both scales demonstrated high reliability with Cronbach's  $\alpha = .85$  and Cronbach's  $\alpha = .80$  respectively. Again, no items were excluded from the subsequent analysis.

**Cultural Self-Efficacy.** The Cultural Self-Efficacy Scale (CSE) (Briones et al., 2009) was used to measure cultural self-efficacy. The CSE consists of five subscales: CSE in mixing satisfactorily with other cultures (SCE1), CSE in coping with homesickness and separation (SCE2), CSE learning and understanding another language (CSE3), CSE in processing information about other cultures (CSE4) and CSE in understanding other ways of life (CSE5). Items had to be answered on a 5-point Likert scale ranging from total rejection (1) to total acceptance (5). All scales were highly reliable with Cronbach's  $\alpha$  between .77 (CSE4) and .92 (CSE3). No items were excluded.

Scales values were calculated as mean values of the answers to all items of each of the subscales.

#### 3.1.4. Administration

The instructors introduced both questionnaires during in-class meetings. The electronic questionnaires began with a brief introduction about the research study to support the matching of pairs (pre-test questionnaire) and to get feedback about the course design (post-test questionnaire). Students were also informed that there were no right and wrong answers so as to stimulate truthfulness. Students were also informed that it would take them approximately 20 to 30 minutes to complete each questionnaire. While data would be processed anonymously, students understood that they would have to identify themselves to receive their final grades. Responses did not influence student grades.

The questions were posed in a fixed sequence as prescribed by the authors of each of the scales. In the pre-test questionnaire, questions about the demographic data and about learning and working habits preceded the scale items. In the post-test questionnaire questions, feedback about the course design was solicited at the end. Data were analyzed using SPSS 22.0 (Field, 2009).

## 3.2 Results

Independent samples *t*-tests were computed for all subscales. To control for effect size within each subscale, Cohen's *d* was calculated. The *t*-tests for the scale GPSE and the subscale CSE4 were significant with  $p < 0.001$  with medium effect sizes  $d = .36$  and  $d = .39$  respectively. The mean values of these scales increased significantly. For the subscale CSE2, the *t*-test was significant with  $p < 0.05$  with a small effect size  $d = .17$ . The mean values of this scale decreased significantly. For all other subscales the *t*-tests were not significant. Mean values of these subscales increased insignificantly except of subscale CSE2, which decreased insignificantly. Effect sizes were between  $d = .06$  and  $d = .10$ . Table 1 shows the results of the paired-samples *t*-tests together with means, standard deviations and effect sizes for all subscales.

**Table 1.** Means for pre-test and post-test with *t*-values and effect sizes for all subscales

Skala	Pre-test		Post-test		<i>df</i>	<i>t</i>	<i>p</i>	Cohen's <i>d</i>
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>				
MCI <sup>a</sup>	5.36	1.00	5.44	1.01	99	-0.76	.444	0.07
BCI <sup>a</sup>	4.89	0.88	4.97	0.98	99	-0.73	.463	0.08
GPSE <sup>b</sup>	3.05	0.40	3.20	0.42	98	-4.49	< .001	0.36
CSE1 <sup>c</sup>	4.08	0.65	4.15	0.59	97	-1.40	.164	0.10
CSE2 <sup>c</sup>	3.68	0.98	3.51	0.96	97	2.24	.027	0.17
CSE3 <sup>c</sup>	3.77	1.10	3.85	0.95	97	-0.96	.338	0.07
CSE4 <sup>c</sup>	3.77	0.60	4.00	0.57	97	-3.79	< .001	0.39
CSE5 <sup>c</sup>	4.04	0.71	3.99	0.63	97	0.18	.505	0.06

<sup>a</sup>*n* = 100. <sup>b</sup>*n* = 99. <sup>c</sup>*n* = 98

### 3.3 Discussion

#### 3.3.1. *Discussion of results*

The original hypothesis was that taking part in this collaborative cross-cultural training program would improve student's self-efficacy. This hypothesis was partially supported. The self-efficacy measured by GPSE and CSE4 (cultural self-efficacy in processing information about other cultures) increased significantly with a medium effect size. Relating to the objective of the collaborative cross-cultural training sequence, these are the most important aspects of self-efficacy. Instructors want students to be convinced in their efficacy to handle cross-cultural situations and to be able to competently pursue information about the other cultures with which they encounter.

The self-efficacy measured by CSE2 (understanding other ways of life) decreased significantly with a small effect size. This does not support the hypothesis, which suggests that students achieved a more realistic view of their abilities after the training sequence. This may prevent students from overestimating their own abilities, which was supported in informal feedback received at the end of the course.

The subscales MCI and BCI remained unchanged. This was expected given the objective of the collaborative cross-cultural training sequence was not to change cultural intelligence. However, cultural intelligence could be a mediating or moderating factor in the change of cultural self-efficacy. Results from this study do not confirm this.

The subscales CSE1 (in mixing satisfactorily with other cultures), CSE3 (in coping with homesickness and separation) and CSE5 (in learning and understanding another language) also did not change significantly. These subscales were not relevant to this collaborative cross-cultural training sequence. Students stayed at their home universities while taking part in the training sequence (CSE1). Therefore, students did not have to deal with homesickness or separation (CSE3). English was the native language of UWW students and was the lingua franca for the students at TH Köln. Improving language skills (CSE5) was not an objective of the training sequence, but could have easily been an unintentional and positive side effect.

#### 3.3.2. *Limitations*

The results for this study were based on a pre- and post-test design. All students in the two courses participated in the training activities. It remains unclear that the change of values is exclusively connected to the interventions of the training sequence. Future research should repeat the study using both a control and experimental group where some participants do not receive any cross-cultural training during the time of the study.

A serious limitation of this study is that students were mandated to answer the questionnaires or risk failing their respective course. It is unknown, yet possible that some students were annoyed by the mandate. While neither the answer patterns nor scale reliability suggested this result, it is possible that responses were distorted due to this limitation.

A high degree of heterogeneity existed among the participating students. Students came from different countries, were studying different subjects and were of different ages. Based on the instructors' prior experiences, the group was representative for those who typically take their courses. Nevertheless, the study results cannot be generalized to all student populations.

Another limitation relates to the instruments used to measure self-efficacy. Perceived self-efficacy was captured exclusively with self-reported data. Student responses may be somewhat biased and answered in a socially acceptable manner (Bühner, 2006).

English was not the native language of all students that participated in this study. A misinterpretation of questions could have influenced the answers. An examination of answer patterns suggests the impact of language fluency was minimal.

### 3.3.3. Future work

The study should be repeated with both a control and experimental group to demonstrate that the increase of self-efficacy is due to the interventions of the training sequence and not outside influences. To avoid self-reporting biases, future research should develop more objective measuring instruments like situational judgement tests (Weekley & Ployhart, 2006), work samplings, observations or reports by classmates.

Alternative impact models of training measures on cultural competencies may be employed as an additional baseline for evaluations. We presume that there are different impact models for different training objectives. Normally one training sequence is aimed at several objectives, suggesting that more than one impact model may exist for a single training sequence. Future work may also examine whether the proposed impact model in this study is transferrable to other training contexts.

## 4 CONCLUSION

International business students must develop cross-cultural collaboration skills to be effective in a world where a globally distributed workforce is becoming more commonplace. In this study, student pairs from TH Köln – Technology, Arts, Sciences and the University of Wisconsin-Whitewater completed a five-week training sequence designed to foster cultural competencies. The study results indicated a significant increase in cultural self-efficacy among the student from before and after participating in the training sequence. There are limitations to this study, but also provide several interesting possibilities for future work.

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# ***Teaching in an Age of Ubiquitous Social Media: An Informal Ethnographic Survey***

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## **ABSTRACT**

Social media is widely used and accepted by students and professors/lecturers of higher education and has become a central part of their lives in and out of the university classroom. Social media has altered the practice of “e-learning” and “mobile learning” and has influenced the development of new hybrid cultures of learning which are enhanced by ubiquitous and pervasive technologies of mass communication and collaboration. This paper provides first hand accounts and experiences with applying the use of social media and related technology enhanced learning methods within higher-education settings that serve a diverse International demographic. Furthermore, this paper goes beyond state of the art in research on teaching and learning with technology by providing insights into emerging and future technology enhanced learning scenarios between students of varied cultural backgrounds and techno-cultures.

## **1 INTRODUCTION**

Education is an experience which is almost entirely conducted through communication. Traditionally, university classrooms (within a Western context and setting) places emphasis on face-to-face lectures and seminars in which knowledge is imparted (or broadcasted) towards the students. At present, the ways and means of communication within educational settings are still heavily influenced by face-to-face communication with consideration to the university classroom. However, observations have been made by many researchers (Kramer & Mirlacher, 2007; Ling, 2004; Rheingold) that the the the one of the most popular means of communication amongst university students is made through mobile technologies and related services. Mobile communications technologies are providing the infrastructure for more pervasive and ubiquitous forms communication amongst students, hence making a string impact and influence on the education experience. This “ubiquitous” and inherently more “pervasive” form of education through mobile communication can best be observed and epitomized through the use of social media. Social media usage is a reality within the university classroom and is becoming more universally accepted by students and professors/lecturers of higher education, whereby becoming a central part of their lives in and out of the university classroom (Tess, 2013a). It can be argued that social media has altered the practice of “e-learning” and “mobile learning” and is influencing the development of new hybrid cultures of learning. These “hybrid cultures” of “ubiquitous & pervasive learning” are directly a result of the usage of technologies of mass communication and collaboration in which social media is the colloquial description thereof.

This paper is a work in progress and provides the observations and preliminary results of a qualitative, unstructured research. The singular question to be answered within the confines of this paper is the following: How is social media changing the way university lecturers / professors teach in the classroom? The preliminary answered to this question and the results of first hand accounts (self-reported observations) of applying social media and related

technology enhanced learning methods are presented. This research does not focus on traditional “cross-cultural” themes, rather it highlights and shares observations related to the emerging culture of social media communication and exchange information inside and outside the university classroom.

## **1.1 Placing Social Media in Context**

The officially sanctioned use of technology within most universities is primarily through the use of an e-learning platform which is deployed as a Learning Management System (LMS) which the university maintains and encourages usage thereof. Although faculty and students are the primary users of learning management systems, “all too often it is the administrators and university IT experts which select the learning management system” that is used. (Clayton R. Wright, Valerie Lopes, T. Craig Montgomerie, 2014). In contrast to officially sanctioned LMS use, social media [is normally unsanctioned by universities] and is chosen and accepted by students and professors/lecturers, thus becoming “a central part of their lives in and out of the university classroom” (Tess 2013). According to research conducted by J. Rodrigues, “the use of social media in higher education classrooms is on the rise as faculty employ a variety of software tools and free web applications to enhance learning, communication, and engagement.” (Rodrigues)

As “unofficial” use of social-media usage increases and becomes more prevalent within higher education, it can be argued that social media is quietly displacing officially sanctioned eLearning protocols (and LMS platforms) established by universities. This displacement, coupled with the rise of adoption and acceptance of mobile technologies (smartphones, tablets, etc.) is giving rise to the emergence of new hybrid cultures of learning. These “new cultures” of learning are described by many as “mobile learning” (REFS) and is influencing the development of what this researcher describes as a “hybrid” learning cultures which are ubiquitous in practice and pervasive in their own nature. These “hybrid cultures” of learning are directly a result of the usage of mobile, networked technologies of mass communication and collaboration in which social media is the colloquial description thereof. In this paper, when the term “social-media” is used it refers to the forms of media which people [users] create, produce and consume on any network enabled device, anywhere and at anytime. The use of social media in this paper refers to the means of interactions with among people in which they create, share, and/or exchange information and ideas in virtual communities and networks

Research is plentiful with regards to the use of social media within the university classroom. “Facebook and other social media have been hailed as delivering the promise of new, socially engaged educational experiences for university students (Friesen & Lowe, 2012a). And it has been argued by many scholars for the purposeful integration of social media as an educational tool (Friesen & Lowe, 2012b; Gikas & Grant, 2013; Kramer & Mirlacher, 2007; Rodriguez, 2011; Tess, 2013a). Paul A. Tess describes the ubiquity of social media within the university classroom and highlights the fact “that empirical evidence of social media use in higher education is lacking” (Tess, 2013b). It is noteworthy to emphasize that this paper is attempting to make a minor contribution in providing more evidence of social media usage within the context of higher education by sharing self-reported evidence and first hand accounts of teaching with social media within (outside) the university classroom.

## **1.2 Overview of Research Conducted**

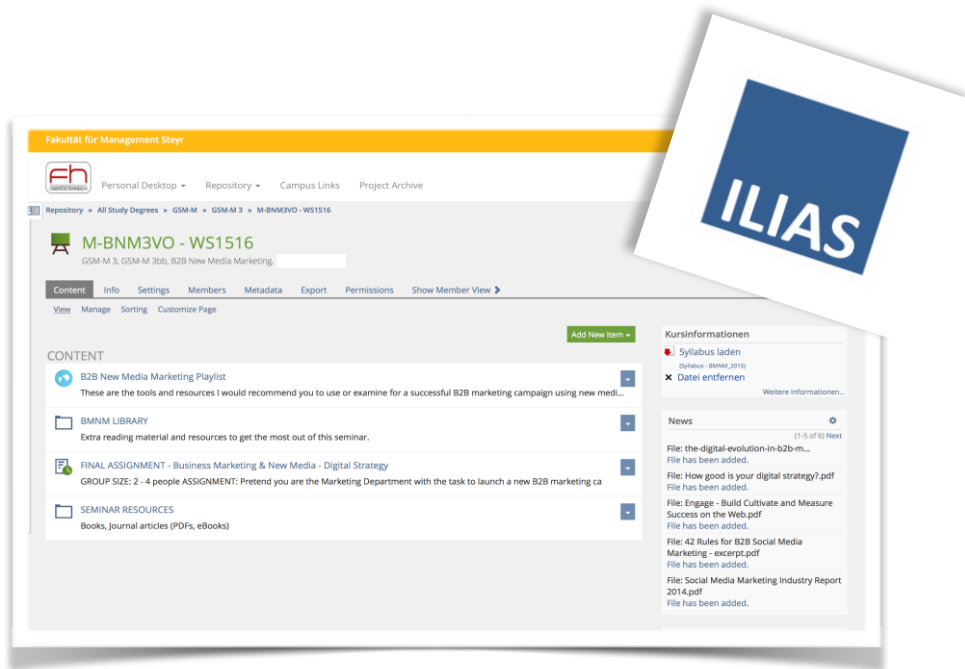
This paper presents the observations and experiences on the use of social media within a natural classroom setting. The research conducted is ethnographic in practice, employing several observation methods within a highly flexible, unstructured design. The methods include

participatory observation and unobtrusive observation. Both methods were chosen to allow for the broadest collection of observations (data) without constraining or impacting the natural classroom environment. Participatory observation was conducted to gain an intimate, first hand familiarity with the usage of social media within the university classroom environment while observing its acceptance and practice. The application of the method of unobtrusive observation was employed primarily (by the professor/lecturer) through observing the social media exchanges among students, and recording anecdotal observations. The observations shared in this paper are a general survey of the Winter semester 2015/16 conducted within 3 separate seminars held at the University of Applied Sciences - Upper Austria

## **2 OBSERVATIONS**

The University of Applied Sciences in Upper Austria (FH-OÖ) hosts a diverse student body which creates a broad mix of ethnic and social-economic backgrounds. It is quite common for the student body of the FH-OÖ to aggregate around students within the same area of studies and class of graduation, (for example, Global Sales and Marketing students who will graduate in 2016 are more likely to group together) developing their own communications channels and self-organized study groups. This self organization of these study-groups is supported and enhanced through the intensive use of social media, which is influencing the way in which the university classroom is structured at the FH-OÖ.

Each semester, as part of every seminar and lecture the FH-OÖ provides the ILIAS Learning Management System (LMS) for the professors (lecturers) as the official platform for supplementing the teaching and education experience [See Figure 1.] The ILIAS (Integriertes Lern-, Informations- und Arbeitskooperations-System [German for "Integrated Learning, Information and Work Cooperation System"]) is required for all official „classroom related” communications, including course email communication. The ILIAS LMS platform is a media which serves as the classroom repository for the reading materials and related course-work (such as the course syllabus, and related course content). While ILIAS is the official platform for classroom communication, it is all too often that other “unofficial” or “unsanctioned” forms of social media platforms are used in conjunction with ILIAS to create the “true” learning environment at the FH-OÖ.



**Figure 1.** ILIAS (Integriertes Lern-, Informations- und Arbeitskooperations-System  
[German for "Integrated Learning, Information and Work Cooperation System"]

In contrast to the use of the official ILIAS learning management system, the use of social-media within the classroom is quite prevalent at the FH-OÖ as a direct result of its culture of usage within the FH OÖ student body. In other words, the emerging pervasive usage of social media with the university classroom is a direct result of the ubiquity of social media which permeates the very core and essence of the FH-OÖ university student body. Case in point: Facebook groups were created to provide the learning environment for two seminars focused on on business marketing with new media [See Figure 2.]. These Facebook groups were actively used inside and outside the classroom to facilitate internal and external classroom discussion. The use of the Facebook group BMNM (Business Marketing New Media) was not required or mandated by the lecturer, rather it offered as a possibility in which the students had the choice to use or not. Needless to say that 100% of the students opted to use this social-media channel in conjunction with the official ILIAS LMS platform.



**Figure 2.** Facebook Group – “Informal” learning platform for a Marketing Seminar.

A survey conducted within the BMNM (Business Marketing New Media) Seminar reveals that 100% of students polled actively used Facebook for their educational experience in conjunction with other social media tools. Within the seminar Facebook Group an informal survey / poll was created to inquire the how social media influenced students [See Figure 3.] The following questions were posed to the students: How has social media influenced the way you approach your university studies and educational experience? In other words: Has social media impacted your education?

How has social media influenced the way you approach your university studies and educational experience? In other words: Has social media impacted your education?

- ☐ **Easier communication with colleagues**     +13
- ☐ **I receive support from my student colleagues**     +4
- ☐ **I have greater access to my professor/lecturer**

**Figure 3.** Informal Survey / Poll - Conducted within a Facebook Group for a Marketing Seminar.

It is noteworthy to highlight that in this informal survey / poll most of the students agree that social media makes it easier for them to access information and communicate. One student even wrote the following:

"I find that it is definitely easier to communicate and receive info quickly. Also, most programs have student groups where we share tips and notes and information...Also being able to upload and share files is very helpful, especially if there is a need of information from a few weeks or months ago ... Super easy to find and access." – *FH OÖ – Global Sales and Marketing Student*

In contrast to the official learning management system of ILIAS, the student overwhelming shared that social media platforms such as Facebook Groups (when used for a seminar) as it was universally noted that Facebook was much easier to access information and communicate amongst students than using ILIAS. Furthermore, the Facebook group was primarily accessed and frequented through mobile devices such as laptops, tablets and smartphones, making the communication dynamics in the BMNM Facebook groups very dynamic. It is also noteworthy to share that the students did not use the ILIAS platform to communicate during the seminar, but rather used ILIAS as the platform to submit project assignments and to officially download the syllabus for the seminars involved in this study. When asked, the students shared that they considered ILIAS to be not very user friendly and cumbersome to use. It noted by many students that each and everyone of them uses Facebook within their daily lives anyway that it was only natural to incorporate it within their own university classes.

### **3 CONCLUSION**

Research demonstrates that social media is widely used and accepted by students and professors/lecturers of higher education (especially at the FH-OÖ) and is rapidly becoming the primary means of communication within and outside of the university classroom. The institutionally sanctioned practice of "e-learning" is slowly being replaced with "unofficial" social media platforms (such as Facebook) causing the development of new hybrid cultures of teaching/learning which are enhanced by ubiquitous and pervasive technologies of mass communication and collaboration. Through this informal research it has been revealed that social media has altered the practice of officially sanctioned "e-learning" and is influencing the official channels of teaching and learning through the augmented use of social media platforms such as Facebook Groups. Social media by nature is pervasive amongst students at the FH OÖ. Social media is a technological tool which enhances the educational experience, and has the potential to disrupt and displace officially sanctioned learning management systems such as the ILIAS LMS.

With regards to answering the the research question posed: [How is social media changing the way university lecturers / professors teach in the classroom?]; the following preliminary observations are presented in an attempt to answer this question: As this paper provides primarily first hand accounts and experiences with applying the use of social media and related technology enhanced learning methods within higher-education settings, an answer to the research question is inherently biased and subject to further research and academic debate. However, the impressions of the research involved is that social-media is making an impact on the way in which lectures and seminars are taught at university.

The colloquial saying [within communications and marketing parlance is] “go to where your audience is,” helps illustrate the shift observed within university campuses such as the FH-OÖ. The “audience” for lecturers and professors are those students who are already using social-media platforms such as Facebook for communicating and collaborating amongst their colleagues, friends and families. The teaching within the classroom is slowly shifting away from Learning Management Systems (such as ILIAS) towards social media platforms like Facebook groups because the usability and experience of using social media is more human-centric than standard LMSs. Many students at the FH-OÖ cite that Facebook is more intuitive and easier to use than the official “Integrated Learning, Information and Work Cooperation System” [ILIAS]. It is also noteworthy that among culturally diverse student bodies such as the FH-OÖ, that social media is an essential element within the education experience, allowing students to stay in touch with family and friends abroad (if they are international students visiting) while facilitating quick integration within a new student body and university campus. In brief, social media is transforming the way university teach because its usage is so pervasive and ubiquitous amongst students, and to a lesser extent amongst faculty. The future of technology enhanced learning scenarios between students of varied cultural background can already be observed through the existing collaboration and interaction amongst faculty and students. The usage of social media for teaching is a reality and the era of learning management and “traditional” e-learning is slowly coming to an end. Go to where your students are! Social media is not a trend or a passing phase. The challenge for universities now is to examine how social media is re-shaping the educational experience they are delivering and proactively support the unofficial usage of social media for teaching by integrating social media into the classroom officially.

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# Session D

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Intercultural  
Perspectives in  
Human Resource  
Management

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**Chair:**

Hannes Hofstadler

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# ***Profile of Modern Ukrainian Manager***

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## **ABSTRACT**

The economy of Ukraine has a great potential to perform successful in the world. That is why many international companies are actively opening their offices and branches on the territory of Ukraine. Very often at the top of these branches are foreign managers who try to apply their knowledge and skills, but do not receive expected results. Most of these cross-cultural problems are explained by the uniqueness and inconsistency of Ukrainian national mentality. At the territory of Ukraine there two different types of mentality: the Eastern and the Western Ukrainian mentalities. In some characteristics these two mentalities are even opposite (individualistic and collectivistic). This dualism is one of the features of Ukrainian mentality. The influence of these two categories of mentalities is one of the main characteristics of modern Ukrainian managers. In reality most of Ukrainian managers usually demonstrate characteristics of both mentalities but in different proportions. On the other hand Ukrainian management style has list of features that is result of process of its formation (conditions of transitional economy and emerging market, historical events of the end of 20th century etc.).The collapse of the Soviet Union is very important milestone in the process of formation features of each generation of Ukrainian managers. That is why the last but not the least component of creation profile of modern Ukrainian managers is their classification by age (generation): baby boomers; generation X; generation Y. Knowledge of all these features of modern Ukrainian management styles would help foreign managers in improvement their managerial activities for successful long-term cross-cultural business cooperation by maximizing results and minimizing cross-cultural conflicts and disagreements with representatives of Ukrainian management.

## **1 INTRODUCTION**

In the past century, global forces, combined with the effects of international media and news channels, communication technologies and the increasing interconnectedness of the world have meant that increasing numbers of people around the world are impacted by defining events. Facing similar issues, impacted by the same events and sharing similar experiences, people of the same age are likely to have similar underlying value systems, regardless of their country or community of birth. These “national value systems” are the drivers of behavior and attitudes, and are good predictors of behavior and expectations. The challenge for management in all sectors of business and society comes from a clash of the generations: a collision of values, expectations, ambitions, attitudes and behaviors. In particular, the human factor is increasingly important for maintaining a competitive advantage in business. Gathering of knowledge of national values with features of each generation could help to understand dominant generation in business and optimize cooperation with its representatives.

With population of almost 45 million Ukraine is one of the largest consumer markets in Central and Eastern Europe. Ukrainian considerable industrial base, highly educated and inexpensive labor force, strategic geographical location promises substantial business opportunities. But Ukrainian business is just twenty years old and Ukrainian management does not have long history and decades of experience.

The purpose of this survey is to describe features of modern Ukrainian management style from two aspects: environment (external conditions) that are influenced on these features; and

internal preconditions that formed these features (mentality and generational structure). That is why this paper has four main objectives: first, to describe conditions of Ukrainian emerging market; second, to review Ukrainian modern mentality; third, to apply generational theory for description Ukrainian business culture; and finally to describe profile of modern Ukrainian manager.

## **2 THE ISSUE OF MAIN COMPONENTS OF PROFILE**

The methodology of the paper is based on researching relevant literature from foreign, but mainly domestic sources which focus on the topic of cross-cultural management of Ukrainian emerging market and introduce the theory of generations' tools for creation profile of modern Ukrainian manager. The paper shows the theoretical background and the possible practical application of these tools in business activities. The data collection methods include external sources such as scientific literature of various well-known authors (Howe N. and Strauss W., Jung C., Strazhnyi O., Vedich-Berendej V.) from the field of cross-cultural management and business, specialized online publications and statistical data. The analysis of new knowledge from this area can be a source of information for foreign firms, interested in entering Ukrainian emerging market.

### **2.1 Emerging market**

As some of the world's largest growing economies, emerging markets (economies) play an increasingly important role in the global economic, political and social situation. Over the last twenty years emerging markets have increasingly formed a greater part of investment strategies globally. Many of them are markets with large populations and ample supplies of key natural resources such as oil, metals and timber. As emerging economies grow, they look to expand their infrastructure, create new markets and develop their financial systems. These economies different avenues of growth potential compared to developed markets.

That is why emerging markets are usually considered to be in a transitional phase toward developed market status and in the process of building liquid equity, debt and foreign-exchange markets. They tend to have some characteristics of a developed market, and can be very fast-growing, but there can be negative factors, such as volatility and sometimes political instability. Because of these negative factors, emerging markets are a higher-risk investment. Some investors prefer to gain exposure via a fund that is spread across different markets rather than opting for single-country funds, which concentrate that risk in one area.

#### *2.1.1 Features of Ukrainian emerging market*

Ukraine is a large emerging free market with a population of 44.9 million (2014), and the largest territory in Europe after Russia. According to World Economic Forum (World Economic Forum 2015) the Ukrainian National Competitiveness Index 2015 is 79 (from 140 countries). 2012, for the first time ever, Ukraine had been assessed by WEF as a country at the efficiency driven stage.

Ukraine has been in the "emerging market" category for the last twenty years. But the development has been rather sporadic than "emerging". According to MSCI Global Market Accessibility Review 2015 (MSCI 2015) Ukraine has these problems with market accessibility:

- unequal rights to foreign investors (company related information is not always readily available in English);
- low level of development foreign exchange market liberalization (there is no offshore currency market);
- difficult and long investor registration process (registration is mandatory and requires a significant amount of manual paperwork);
- unequal conditions of market regulations (regulations are not fully enforced by the supervisory authority resulting in many investors trading over the counter, not all relevant information can be found in English);
- incomplete and untimely stock market information flow;
- limited level of competition among brokers (which can lead to high trading costs);
- low level of transferability (off-exchange transactions are allowed but require approval from the authorities);
- instability of institutional framework (there have been instances of government interventions that challenged the stability of the “free-market” economy) etc.

2015 Ukraine has almost the same MSCI Index as Poland that has one of the top emerging markets in the world. But because of extremely high influence of political risks in September 2015 Ukraine received status of Standalone market (MSCI 2015).

On the other hand Ukraine has many of the components of major European economies such as:

- highly skilled and well-educated labor force with vast potential (according to Elance: An Upwork Company (2015) the 3rd position of top freelancers countries);
- large domestic market (Ukraine is the biggest European country in Europe by territory);
- well-developed industrial base;
- access to a variety of resources (Ukraine possesses 28 billion tones (17% of the world's supply) of iron ore reserves, and 42,9 million hectares of agricultural land (71,2% of the total land area), representing about 25-30% of the world's black soil);
- strategic location connecting Europe and Asian markets (Ukraine is positioned in the heart of Europe which means great strategic connections both to the Western European and to the Caucasian region countries).

All these conditions of Ukrainian business environment have direct influence on modern Ukrainian management style and behavior of Ukrainian managers. They have to work in unequal conditions with high influence of external risks, limited level of competition and low level of development of national financial markets.

## **2.2 National mentality**

Internal preconditions that formed modern Ukrainian management style include several layers. The top layer is national culture and mentality. National mentality is a set of accepted and approved public attitudes, opinions, forms of behavior that are distinguished this community from other human communities. The concept of "mentality" is a complex system of basic concepts of people that were embedded in their consciousness through the culture, language, religion, science, and communications.

There are genetic, historical, even natural-climatic sources of the phenomenon of "mentality". It is defined as a "code" or as a "program" of actions and behavior of the nation as whole and individual representatives.

Certain forms and management systems have to meet the specific features of the national character and mentality. Masterov B. and Nekroenko L. (2014) create the paradigm of Time Mentality Management on this principle.

### *2.2.1 Review of main components of Ukrainian mentality*

There are authors (Gavrilechko U., Strazhnyi O., Vedich-Berendej V.) who note that Ukrainian nation has unique combination of components of mentality because of the influence of complex historical processes and circumstances at the territory of modern Ukraine.

Firstly as a sovereign state Ukraine has become independent on the 24th of August 1991. In the history of Ukraine there were periods of national prosperity (period of Kyiv Russ power, independent Zaporizhzhya Cossack Republic), as well as long dark times (Mongol-Tatar yoke, Polish and Lithuanian occupation, totalitarianism of the Soviet Union). During centuries Ukraine was colonized by other countries: Russia, Austria-Hungary, and Poland and never was sovereign state till now. During 300 years Ukrainians were under Tartars (Eastern Ukraine), 300 years Poles dominated in Ukraine (Western Ukraine), and 300 years Ukraine was part of Russian Empire and then republic of the Soviet Union. All these historical events were influenced on the Ukrainian mentality.

Key aspects of modern Ukrainian mentality are characterized by: dominant archetype; special national state ("hutoryanstvo"); dualism of mentality and universalism.

Jung C. (1961/1989) understands archetypes as universal, archaic patterns and images that derive from the collective unconscious and are the psychic counterpart of instinct. They are inherited potentials which are actualized when they enter consciousness as images or manifest in behavior on interaction with the outside world. They are autonomous and hidden forms which are transformed once they enter consciousness and are given particular expression by individuals and their cultures. There are many different archetypes and Carl Jung has stated they are limitless in amount, but to simplify many have broken it down into a few main ones. These include: the "persona", the "shadow", the "anima", the "animus", the "great mother", the "wise old man", the "hero", and the "self".

#### *Ukrainian archetype the "Great Mother"*

Belenkya G. (2012) emphasizes femininity of archetype "Ukraine" (archetype the "Great Mother"). The geopolitical location of Ukraine has played a main role in process of formation this archetype because Ukraine is situated at the crossroads of the main historic routes from North to South and from East to West. Life between Western and Eastern civilizations has left its imprint on the character of the Ukrainian mentality (world-historical mission of Ukrainian nation as Mother-guardians of European civilization which separates East and West by hands and protects). That is why the Ukrainian mentality is included these femininity characteristics: sensitivity, emotionality, developed intuition, daydreaming, curiosity, attention and love for children, the importance of family relationships.

#### *"Hutoryanstvo" as a natural state*

Strazhnyi O. (2008, p. 240-270) identifies "Hutoryanstvo" as a natural state of the Ukrainian nation (the mentality of Ukrainian farmer). This is the most characteristic feature which can distinguish the Ukrainians from other Slavs. Explanation of this feature we can find in historical and geographical characteristics of the country. Ukraine is a mostly flat country with fertile plains which are heavily farmed and some forests in the north. Due to favorable climatic conditions, Ukraine is traditionally an agricultural area. It grows wheat, maize, buckwheat and

other corn, red and green vegetables, all kinds of fruit, melons and berries. That is why centuries of farming style of life have formed "Hutoryanstvo" as the mentality of Ukrainian farmer. Not less than 60% of Ukrainians (even in the cities) have these characteristics of the mentality of Ukrainian farmer:

- (1) intuitive decision making as a result of introvert style of thinking (the superiority of "heart" over "head");
- (2) inertia, passiveness and procrastination as a result of strong conservatism, rationalism and healthy pragmatism;
- (3) the main motive for an action is looking for own benefit;
- (4) great diligence and thrift;
- (5) overcharge self-esteem and low level of law-abiding;
- (6) cunning and craftiness;
- (7) high tolerance etc.

### **Universalism of Ukrainians**

Gavrilechko U. (2013) notes universalism as main advantage and disadvantage of Ukrainian modern mentality. Universalism means that Ukrainians easily take several professions of related occupations; in difficult situations they can quickly find innovative solutions. Ukrainians have the imagery and the desire to decorate everything in their lives. This is the attitude of Baroque style. It is inherent not only to Ukrainian architects, artists, writers, and also every Ukrainian. The Baroque provides no schematic, but "beautiful". This style of thinking is result of the influence of Zaporozkye Cossacks' spirit. Zaporozkye Cossacks won with smaller army because of their unexpected actions. Their innovative moves and asymmetric responses are still manifest in modern Ukrainian economic and geopolitics policy.

Ukrainians are self-sufficient and able to make a lot by themselves. They are universal in solving domestic problems of individual survival (to build a house, to sew clothes, to repair a car and a washing machine, to mend shoes etc.) For these activities Ukrainians do not need assistance and even presence of the state, special infrastructure, neighbors or any professionals because of their self-sufficiency.

On the other hand Ukrainians do not understand the need for specialists in these domestic fields. They are not ready to pay for the services that they can make themselves. Result of this universalism is community of self-sufficient universals that is not able to do any joint constructive actions. Possibilities of universal person always are limited because he has to do everything by himself and he can hope on nobody and that is why all his resources are limited.

### **Two different types of mentality**

Vedich-Berendej V. (2011, p.150-154) specifies two different types of mentality at the territory of modern Ukraine: the Eastern and the Western Ukrainian mentalities.

The mentality of Ukrainians of Western regions certainly is closer to Polish cultural values (individualism, ability to political self-organization, closer to Polish religious and cultural values, predominantly Ukrainian-speaking, etc.) The regions historically known as Volyn, Galicia, and Podolya share a long and tumultuous relationship with Poland, under whose impact a distinct religious and cultural identity has been forged. One aspect of this legacy is that today these regions seek to establish a cultural national identity that sees Ukraine really distinct from Russia culturally and even historically.

The mentality of population of Eastern, Southern and part of Central regions of Ukraine is organically combined post-Russian and post-Soviet cultural values (distrust of private property, strong collectivism, the absence of political self-organization, ironic skepticism about the political parties and their leaders).

Eastern regions historically known as Slobozhanshchina and Donbas historically have strong relations with Russia. People of these regions are quite comfortable with a Ukrainian cultural identity that retains friendly ties with Russian culture and history.

In some characteristics these two types of Ukrainian mentality are even opposite (individualistic via collectivistic). But this is dualism that is one of the features of Ukrainian mentality. Majority of Ukrainian managers usually demonstrate characteristics of both types of mentality but in different proportions.

## 2.3 Generational theory

Next layer of internal preconditions that formed modern Ukrainian management style is the age of Ukrainian managers. This layer was analyzed by generational theory. Generation encompasses a series of consecutive birth years spanning roughly the length of time needed to become an adult; its members share a location in history and, as a consequence, exhibit distinct beliefs and behavior patterns. Generations are bounded by significant events in the country or region being considered. But key factor of forming each generation is list of values that are existed on a subconscious level of personality, and founded in the age of 12-14 years through education, social, economic, political and technological environment. This leads to slightly different dates in different areas, although defining global events in the last century tend to group quite remarkably around specific years. Although in some countries, there are very specific moments in time when one generation ends and a new one starts.

Howe N. and Strauss W. (2007, p.42) in their generational theory emphasize nineteen generations in USA from time when the Puritans came to New England. But they specify for nineteen generations only four major kinds of generations with the shorthand of archetypes: prophet, nomad, hero, and artist. The generations of each archetype share not only a similar age location in history, but also similar attitudes toward family, culture and values, risk, and civic engagement. As each archetype ages, its persona undergoes profound and characteristic changes.

### 2.3.1 *Generations in modern Ukraine*

Now in modern Ukrainian society there are three generations of adults: baby boomers; generation X and Y (see table 1).

**Baby boomers (Winners) (1945-1964).** According to Howe N. and Strauss W. (2007, p. 44-45) classification of generational archetypes they are prophet generation. Prophet generations are born after a great war or other crisis, during a time of rejuvenated community life and consensus around a new societal order. Prophets grow up as increasingly indulged children, come of age as the narcissistic young crusaders of a spiritual awakening, cultivate principles as moralistic mid lifers, and emerge as wise elders guiding another historical crisis. Because of their location in history, such generations tend to be remembered for their coming-of-age passion and their principled elder stewardship. Their primary endowments relate to vision, values, and religion.

In Ukraine baby boomers are the postwar generation (World War II). This generation formed during the formation of the Soviet Union as a super empire, Soviet "thaw", the conquest of space, Cold War, warranty of free uniform education and free health care. All these conditions formed in their distinct psychology of "winners" and made it possible to establish an interest in personal growth, leadership, optimism, the cult of youth and success. The main principle of their ideology is "Big Brother". Winners like to appeal to collective consciousness, able to unite people, create stable electoral groups. For them there are no insurmountable barriers, each new barrier is a personal challenge. Winners just focus on overcoming challenges and

achieving the required result, they are "workaholics". The main thing for winner is victory, and he is not able to stop.

**Table 1.** Generations of Ukrainian adults in XXI century: general characteristics

Generation	Birthday years	Archetype*	Life experience (values' formation)	Basic values	Ideology
Baby Boomers Winners	1945 -1960 (Western Europe) 1945-1964 (Ukraine)	Prophet	Until 1973 Soviet "thaw" The first space flight Soviet Union empire, Cold War warranty of free uniform education warranty of free health care	optimism, interest in personal growth and reward, leadership, collectivism, team spirit, the cult of youth and success	"Big Brother"
Generation X Unknown generation, Thirteenth generation, Generation MTV	1961-1981 (Western Europe) 1965-1985 (Ukraine)	Nomad	Until 1993 war in Afghanistan End of Cold War Perestroika Chernobyl AIDS drugs total deficit	willingness to change, choice, flexibility, global awareness, technological literacy, individualism, desire to learn throughout life, informal views, pragmatism, independence ability to rely on their own strength and experience	"Latch-key kids"
Generation Y Millennials, Generation Why, Generation Next	1982-2000 (Western Europe) 1986-2000 (Ukraine)	Hero???	Till now Collapse of the Soviet Union terroristic attacks, military conflicts, SARS, development of digital technologies, Social media, Google Earth, Era of brands	civic duty, moral responsibility, innocence, ability to obey, immediate reward STILL FORMING	"Network kids"

\* Howe N. and Strauss W. (2007, p. 44)

In business this generation is the most stable and strongly focused on material sustainability (see table 2). They are hard employees and good mentors, who prefer face-to-face meetings even in each day communications because they are early informational technology adaptors.

**Generation X (Unknown generation, Thirteenth generation, generation MTV) (1965-1985).** According to Howe N. and Strauss W. (2007, p. 44, 46) classification of generational archetypes they are Nomad generation. Nomad generations are born during a cultural renewal, a time of social ideals and spiritual agendas, when youth-fired attacks break out against the established institutional order. They grow up as underprotected children, come of age as the alienated young adults of a post-awakening world, mellow into pragmatic midlife leaders during a crisis, and age into tough postcrisis elders. Because of their location in history, such generations tend to be remembered for their rising-adult years of hell-raising and their midlife years of get-it-done leadership. Their primary endowments relate to liberty, survival, and honor.

**Table 2.** Characteristics of Ukrainian management styles in the context of generational theory

Generation	Preference when making important decisions	Greatest challenge	Communication preference	Attitude toward technology	Style of work	Work incentives	Corporate affiliation
Baby Boomers	Face-to-face meetings	Work preservation	Face-to-face ideally, but telephone or e-mail if required	Early information technology adaptors	Hard employee, good mentor	Focus on material success	Loyalty
Generation X	Face-to-face ideally, but increasingly will go online	Work/life balance	text messaging or e-mail	Digital immigrants*	Willingness to ignore the rules to achieve the goals	Finding the most interesting and the most high-paying work	Self-sufficiency; independence
Generation Y	Online	Freedom and flexibility	Online and mobile (text messaging)	Digital Natives*	High demand for praise, heavy perception of criticism	Realizing of creative potential; finding interesting and meaningful work STILL FORMING	Strong influence of corporate culture on choice of employment

\*Prensky M. (2001)

Values of this generation in Ukraine formed in difficult times (war in Afghanistan, End of Cold War, perestroika, Chernobyl, AIDS, drugs, total deficit). Generation X grew up as “latch-key kids”. It was clear the adults didn’t know what was going on and had also become busier (see table 1).

Generation X in Ukraine and in the developed countries grew in radically different informational, conceptual and cultural spaces. Their parents (boomers) sincerely believed that all the difficulties in the life of their children should make them stronger. That is why representatives of generation X had an early experience of independent life, which resulted in their independence but also personality, the ability to rely on their own strength and experience. The feature of this generation is willingness to change and flexibility as a result of influence of political and social instability in time of their formation. They are globalists who do not like barriers and rules and value time.

Prensky M. (2001) specifies generation X as digital immigrants (see table 2). They are individuals who were born before the widespread adoption of digital technology. That is why in communications they prefer text messaging or e-mail channels.

In business environment desire to learn throughout life and to find the most interesting work could be comparative advantage of generation X. They could be good businessmen because of their pragmatism and cynicism.

**Generation Y (Millennials, generation Why, generation Next) (1986-2000).** According to Neil Howe and William Strauss (2007, p.44, 46) classification of generational archetypes they have to be hero, but till now it is hard to argue this. Hero generations are born after a spiritual awakening, during a time of individual pragmatism, self-reliance, laissez-faire, and national (or sectional or ethnic) chauvinism. Heroes grow up as increasingly protected children, come of age as the valiant young team workers of a crisis, and demonstrate hubris pathic post-awakening elders (see table 1). Because of their location in history, such generations tend to be remembered for their quiet years of rising adulthood and their midlife years of flexible, consensus building leadership. Their primary endowments relate to pluralism, expertise, and due process.

Globally, Millennials are defined as the generation growing up after the Cold War and in the new era of globalization, communication technology and wireless connectivity. They are living



in an age of unprecedented diversity and exposure to other cultures. They are growing up quickly, too quickly, some would say. As some of the most protected children in history, this generation is confident – almost arrogant, they are so confident. There is no big difference of representatives of this generation in different countries.

The main influence on the formation of this generation has informational and digital technologies. And this generation is still forming. Their values have started to form in period of collapse of the Soviet Union, terrorist attacks, military conflicts, epidemics. Millennials prefer quickly achievable goals. Money for them is a way to achieve pleasures, but not a goal. Their parents (generation X) tried to compensate them everything that did not get in their own childhood, and as a result they want everything and immediately. They are well guided in fashion and they create fashion themselves.

Prensky M. (2001) specifies generation Y as digital natives who have been interacting with technology from childhood (see table 2). They are opposite of digital immigrants in their attitude toward technology. That is why all communications they prefer to do online.

In business Millennials are characterized by:

- focusing on quick results and importance of self-realization;
- rejecting of long-term goals and existence of own ideas about career and place in society;
- looking for comfortable psychological climate, flexible schedule, informal communication style and entertainment component in any activity;
- searching for creative interesting and meaningful work with technological (digital) components.

According to data of State Statistics Service of Ukraine (2015) the structure of generations of Ukrainian working population of managers is: 37% of baby boomers; 41% of generation X; 14% of generation Y and 1% is elder 60 years.

Results of research funded by Head Hunter Ukraine (international recruitment portal) (2015) of main features of Ukrainian management 2015 show 22% of females and 78% males in the gender structure; 68% of them were born and grown in Central or Eastern part of Ukraine of geographical structure of Ukrainian management. So, now in Ukrainian business environment key positions in management belong to male representatives of generation X with dualistic mentality (more collectivistic). Results of empirical research funded by Head Hunter Ukraine (international recruitment portal) (2015), results of analysis of features of Ukrainian mentality and generations allow to create profile of modern Ukrainian manager.

### **3 CONCLUSION: PROFILE**

Modern Ukrainian manager is Ukrainian married male of 32-38 years old who was born and grown in Central or Eastern part of Ukraine. Very important aspects for his successful career as a chief are place of birthday and family status. Manager has to be born in Ukrainian Republic of Soviet Union (the best case) and grown in Ukrainian Republic (especially till 14 years old). As a result this manager has to be formed as a personally at the territory of Ukraine. In this case he is very close to his Ukrainian subordinates in mentality aspects (archetype the "Great Mother") and acts as a chief on the basis of model "Father". He has got a family (his family status) and he has experience and authority ("father knows best") exceeding of his "children" (subordinates). He takes care of his subordinates: eliminates conflicts; creates a home atmosphere in office; organizes parties; and interests in personal life of his employees. He understands features of "Hutoryanstvo" and usually uses personal system of motivation for his subordinates especially morally stimulates because for Ukrainians praise and appreciation are better motivators than money. He uses positive aspects of universalism of his employees such

as possibility to operate in uncertain environments (especially in conditions of emerging Ukrainian market) and innovative way of thinking.

Modern Ukrainian manager has at least one academic degree (Specialist or Master of Science) with at least 5 years' experience as a chief and 10-15 years of whole working experience. He belongs to generation X that is why he is very independent as a personality, has willingness to change and flexibility. He is globalist who does not like barriers and rules and value time. He speaks fluently at least one foreign language (English).

As a result of influence of mentality characteristics, place of born, age and gender factors and external conditions (Ukrainian emerging market) modern Ukrainian managers have inconsistent and dualistic features:

- (1) introvert style of thinking, ability to practical learning on their own experience, strong intuition, creativity and innovation, the lack of stereotypes, speed and abruptness of decisions;
- (2) extrovert (emotional) behavior. Ukrainian managers rely on the eloquence and power of persuasion; use the power of nature as a stimulating factor;
- (3) preference for personal connections. Ukrainian managers pay more attention to emotional aspects of communications, prefer face-to-face contacts, they have ability to establish strong social connections;
- (4) amazing survival in turbulent Ukrainian business environment, flexibility, adaptability and willingness to take risks and to act in the conditions of uncertainty;
- (5) strong individualism in management style: authoritarianism, rigid hierarchy, subordination and centralization. Ukrainian managers tend to concentrate decision-making power in their own hands. All solutions, initiatives, ideas originate solely from the chief. Ukrainian managers have inability to delegate and desire to do everything themselves;
- (6) negative motivation and motivation of fear are the most common types of motivation used by Ukrainian managers.

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# ***Performance Management in Irish Public and Private Sector Organisations: Moving Towards Multicultural Performance Management Practice***

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## **ABSTRACT**

The purpose of this paper is to analyse how performance management (PM) has evolved to its current presence in Ireland as a sophisticated management tool. This paper will focus on intercultural and cross-cultural PM, its communication and training in the process in Ireland. This paper will examine its practice in the Irish private and public sectors and will also analyse a study on low-skilled employment of predominately migrant labour in Dublin. This paper will make a case for the roll out of PM to all sectors of the Irish workforce, including temporary and contract workers. The genesis of this newer development of cross-cultural accommodation of expatriates in the Irish workforce lies partly in the influx of US Multi-National Companies (MNCs) into Ireland 50 years ago and the use thereafter of a hybrid form of performance appraisal- the forerunner of PM. The use of PM grew rapidly world-wide in the 1980s and research will be presented on how Ireland embraced this development, from the 1990s. While societal culture and MNCs have strong influences on the type of PM used in a country, research suggests that economic maturity is now a more important determinant of the type of PM processes used in that nation. A stratified random sample was used for the primary research and a self-administered questionnaire was distributed nationwide to almost 500 organisations, yielding a 41% (n=204) response rate. This showed the combined top three objectives of PM systems or processes across both sectors as: (i) to agree key objectives, (ii) to improve future performance, (iii) to provide feedback on current or past performance. Both public and private sector employers are in accord as to the main objective of their system-agreeing key objectives with staff. In conclusion, PM is a sensitive concept which needs to be communicated clearly by senior management and to be a key part of the training of line managers and staff. There is a high incidence of PM practice in Ireland, particularly in the public sector but currently it is practiced more effectively by the commercial or private sector. But on further examination, less than a quarter of those surveyed include their temporary and contract workers in the PM process. While no study directly relating to PM and its role in accommodating an expatriate workforce has been found, this paper will make recommendations for such a study to be conducted. While there is clear intercultural communication in Ireland, cross culturally, Irish employers appear to be less compliant, particularly those employing low skilled labour.

## **1 INTRODUCTION**

Inter-culture refers to the interaction between people from different cultures while cross-culture is understood to refer to the comparison of how people from different cultures communicate (Trevisani, 2005). Ireland is experiencing two parallel cultural events in the workplace: firstly, the expansion of performance management (PM) from the private/commercial sector into the public equivalent and, secondly, assimilating an influx of migrant workers, most noticeably since the 1990s (Ruhs, 2009). This paper will initially examine the role culture has played in the introduction of PM in Ireland and will discuss how the PM process or system can assist in developing communication between foreign employees, line managers and employers in general.

## 2 LITERATURE REVIEW

Armstrong (2014) defines PM as the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organisation; planning performance to achieve the goals; reviewing and assessing progress, and developing the knowledge, skills and abilities of people. Handy (1999) says culture can be defined as a set of values, norms and beliefs that are unique to a nation, society and organisation. It consists of unique traditions, habits, work organisational practices and approaches to the ordering of daily life. These values and beliefs are shaped by such things as history, tradition and indigenous people. According to Handy (1999), in Ireland there exists a low power distance culture where there is no obvious communication gap between management and staff and there is a strong trade union presence. The opposite is true in, for example, the Far East (Milliman *et al.*, 2002).

### 2.1 The Irish private sector

Handy (1999) suggests that traditionally the culture in the private sector has been one based on power which emanates from a central force, usually a CEO and his cohort of directors. These organisations are often viewed as tough or abrasive and, though successful, may well suffer from low morale and high turnover in the middle layers, as individuals fail or opt out of the competitive atmosphere. In this regard, he further highlights the US and its culture of individualism. In what Gunnigle *et al.* (2003) deem part of a process of internationalisation, multi-national corporations (MNCs) - particularly those from the US- believe that PM is one way in which they can realise the full abilities of a diverse workforce, through controlling and co-ordinating their overseas operations (Milliman *et al.*, 2002).

The success of PM in the USA encouraged US organisations to export their PM processes with their general operations as they expanded abroad. Milliman *et al.* (2002), in their study of PM practice by US MNCs in the Far East, said that those MNCs with a greater emphasis on quality and innovation were more likely to emphasise the developmental purpose of PM. Conversely, those with a cost-efficiency focus are more likely to have what Milliman *et al.* (2002) term, 'a documentary objective'. This objective, as influenced by American law, requires organisations to keep all documentary evidence in case of challenges in the courts against dismissals, demotions or loss of earnings as a result of an appraisal. Milliman *et al.* (2002) report that before MNCs move to a new country they carry out preliminary research in these areas, along with research into important contextual variables such as organisational size and structure, industry, unions and government regulations. These variables are what Handy (1999) terms the environmental factors that influence the culture of the organisation itself and he recommends a match between an organisation's culture and the cultural preferences of the individual be made in order to help make the goals and values of both compatible.

Varma *et al.* (2008) proposes that economic maturity is a more important determinant of PM systems than is culture. They contend that as the economic systems of countries grow and become more sophisticated PM systems become more focused on output, merit and individual performance- regardless of the country's specific cultural norms, which might run counter to these trends. For them this has long-term implications in such countries, though in the short and medium term there will still be a need to deal with collectivism, deference to seniority and issues of maintaining 'face' while, at the same time, gradually introducing more Western PM systems.

The 1960s witnessed the commencement of large scale arrival of foreign-owned MNCs into Ireland, with a large number from the US. This foreign direct investment (FDI) benefited Ireland hugely by developing sustained economic growth that helped it move, in a relatively short

period of time, from being a primarily rural, agricultural-based economy to one experiencing a rapid increase in levels of urbanisation, industrial and commercial development, living standards and education (Gunnigle *et al*, 1997). According to Lavelle *et al.* (2009), the Industrial Development Authority (IDA) of Ireland identifies in excess of 970 MNCs with Irish operations, employing over 135,000 with 40% coming from the US. The legacy of these organisations, especially those from the US, has been an emphasis on good personnel management practice. This includes the important link between strategic objectives, personnel policies and related personnel activities, notably PM (Gunnigle and Flood, 1990). Gunnigle *et al.* (1997) describe this as an important legacy of MNC investment in Ireland.

## 2.2 The Irish public sector

Handy (1999) describes the public sector as being traditionally viewed as bureaucratic and dominated by a role culture, where rules and procedures apply in a seemingly logical and rational way. However, its aims have now changed, from mere stability and predictability in the face of competition from the private sector, to also include recognition of the importance of managing performance. Boyle (1989) asserts that what makes the difference between the Irish Civil Service- and, generally speaking, the Irish public sector at large - and its private equivalent in Ireland is the political environment within which the Irish Civil Service operates. He adds that this, to a large extent, determines the culture and working methods of the public sector.

The terms of the HR policy strategy within the Partnership 2000 Agreement (Department of the Taoiseach, 1997) national partnership agreement between the government and public and private sector representative bodies introduced PM to the public sector at large (Wallace *et al.*, 2004). Mercer (2004) recommended that the system be linked to increments, including assignments to the higher pay scales, promotions and career development. In 2007, the Irish Municipal, Public and Civil Trade (IMPACT) union agreed to linkage in respect of staff increments and promotions, via a five-point forced distribution (FD) rating scale with pre-determined quotas. However, this quota system has not been widely applied, with few employees penalised via the loss of increments or access to promotion (McMahon, 2009). In 2008, the OECD reproached the Irish public sector for not taking this Performance Management and Development System (PMDS) seriously, and for using it as 'little more than a paper exercise' (OECD, 2008, p.108) and that 'little energy has gone into guaranteeing that these processes are really successful in changing government culture' (OECD, 2008, p.107). However, it added that 'in recent years, however, the weight of the PMDS has increased significantly, with its integration with other HRM policies' (OECD, 2008, p.108). While it further reported an uneven implementation of PMDS across the Irish public service, the OECD commended its implementation, stating: 'the requirements of same are in line with the development of PM systems across OECD countries in recent years' (OECD, 2008, p.108). The report concludes that, 'while there used to be a high degree of centralisation in PMDS design, countries are now decentralising the design of their systems' (OECD, 2008, p. 108). In 2009, the Public Service Agreement (PSA)/Croke Park Agreement (2010-14) (Department of the Taoiseach, 2010) was signed in a bid to cut expenditure and boost productivity in the public service. Its agreed policy on PM included: merit-based, competitive promotion policies; significantly improved PM across all public service areas; promotion and incremental progression to be linked in all cases to performance and PM systems to be introduced in all areas of the public service where none currently existed. The Haddington Road Agreement (HRA) (Labour Relations Commission (LRC), 2013) then reaffirmed the agreed policy of increasing the introduction of PMDS across the public sector at the individual level, managing underperformers and introducing management performance measures for senior management

grades. Most recently, the Landsdowne Road Agreement (LRA, 2015) intends to modernise public service employment in line with modern HR practises with the aim of supporting an ethical workplace, by implementing up-to-date HR policies, including PM, discipline, grievance and bullying and harassment policies.

### **2.3 Empirical evidence of performance management practice**

Gunnigle *et al.* (2011) state that empirical data on PM in Ireland is relatively scarce but there is evidence stretching back to 1966, albeit with only one survey per decade during the 1960s, 1970s and 1980s (Tomlin, 1966; Gorman *et al.*, 1975 and Shivanath, 1986). The ensuing prevalence of Irish PM practice in the following three decades is quite striking, particularly so in the public sector (McMahon and Gunnigle, 1994; McMahon, 1999 and McMahon, 2009). These three studies show an overall growth of performance appraisal (PA) (the precursor to PM)/PM usage from 58% (McMahon and Gunnigle, 1994) to 62% (McMahon, 1999) and latterly, 84% McMahon (2009). Gunnigle and McMahon (1994) found a 35% prevalence rating of PA practice within the Irish public sector. McMahon (1999) reported 39% of public sector organisations with an appraisal scheme. McMahon (2009) reported an 85% incidence of PM practice in the public sector, representing a 46% increase in 10 years (McMahon, 1999). The Irish Business and Employer's Confederation (IBEC) – the national body representing 7,500 employers drawn mainly from the private sector- revealed in 2004 that indigenous Irish industries have followed the practices of the MNCs in Ireland. They evidenced this by citing the almost 60% of Irish-owned organisations having a PM process in place, compared with 83% of MNCs. Further studies by IBEC in 2006 and 2009 record further significant growth in PM practice in the commercial sector to 75% and 84%, respectively. What the initial research showed in 2007 was a significant research gap in a comparative empirical analysis of PM practice in Ireland since 1999. What was also lacking was a full examination of how PM is conducted from the viewpoint of HR Directors and Managers. What was of particular interest was to investigate to what extent PM is now used across both sectors.

### **2.4 Communication and training**

According to Nelson (2000), some management writers believe that 90% of a manager's job concerns the day-to-day coaching of employees. He adds that enlightened organisations recognise this and realise that to 'save' timely feedback for the annual review discussion, is a golden opportunity missed by managers to positively influence employee behaviour on a daily basis. Rausch (1985) recommends that this form of communication should be honest and constructive. Bitici *et al.* (1997) note that feedback is obtained to enable appropriate management decisions. Armstrong and Baron (2003) in turn, describe a line manager who communicates effectively and provides constructive feedback to staff as a coach or mentor, while the CIPD (2005) reports that feedback ranks seventh out of 13 as a key issue in PM in the UK. In a UK CIPD (2014) Employee Outlook survey, 2,500 people were polled from both sectors. It found that 20% of respondents overall believed that their line managers did not effectively communicate their objectives and expectations, and those of the organisation. This contributed to employee trust and confidence in their workplace leaders in general reaching a two-year low. Clearly, the provision of feedback remains a significant feature of PM and a critical factor in it is developing communication to staff. One of the key factors in providing such feedback is adequate training in this area, especially for line managers. Included in this paucity of information was the lack of analysis in relation to the training of management and staff in PM techniques. In a 1994 Irish survey, 48% of respondent organisations stated that they trained their line managers in appraisal techniques (McMahon and Gunnigle, 1994). This later

decreased to 43% (McMahon, 1999), but has since reached 59% (McMahon, 2009). The UK IPD surveys of 1997 (Armstrong and Baron, 2003) and 2004 (CIPD, 2005) reported that a large majority (just under 80%) of respondent HR managers believe that the training of line managers is essential.

## **2.5 Cultural accommodation of expatriates in the workforce**

According to Hulmes (2015), the art of communication is the language of leadership and this can be verbal or non-verbal, the challenge being for organisations today to nurture and maintain effective intercultural communication between employees. He offers the following advice on inter-culture to managers:

- Demonstrating respect and courtesy creates a culture of openness and civility
- Remain tolerant of other people's views and beliefs
- Identify problems and try and analyse where things are going wrong- only by proper recognition of the root of the problem will you be able to solve it
- Recognise and understand cultural taboos within your workplace and try to provide alternatives
- Be knowledgeable of, and comply with, legislation covering diversity issues in the workplace
- Encourage interaction within a culturally diverse workforce and it will lead to stronger interpersonal relations and awareness of one another
- Simplify language used by avoiding using slang and colloquialisms.

Ireland's economic boom during the 1990s brought unprecedented levels of prosperity and helped transform her into a 'country of net immigration' by the early 2000s (Ruhs, 2009). Those who migrated included both workers and asylum seekers from outside of the European Union (EU). Consequently, Ireland had to develop policies in a short period of time. Three areas stand out:

1. The government created a list of safe countries of origin to slow the rise of asylum applications
2. From 2003 to 2005, Irish citizen laws were changed to eliminate an Irish-born child's automatic right to citizenship when the parents are not Irish nationals.
3. Ireland sought to meet most of its low-skilled labour needs from within the enlarged EU.

Ireland also agreed to allow citizens from the 10 countries that joined the EU ("EU-10" workers) in 2004 to work here. More recently she has instituted stricter policies that favour highly skilled immigrants from outside the EU. In the context of the most recent economic recession, Ireland is facing a new set of policy issues as immigration rates have decreased but are still high and there are also a large number of legal foreign residents. Economic issues also include unemployment rates among the entire workforce and stress on the social welfare system. Ruhs (2009) believes that in order for Ireland to benefit fully from the enlarged pool of workers with free access to the Irish labour market, it is important that migrants' skills match their labour market attainment. Barrett *et al.* (2006) have shown that Ireland's immigrants are generally a highly educated group but that not all immigrants are employed in occupations that fully reflect their higher education levels. Immigrants have also been shown to earn less on average than their Irish counterparts. EU-10 migrants tend to have the lowest occupational attainment.



Discrimination is one possible explanation for inequality in the Irish labour market. Research by O'Connell and McGinnity (2008) has shown that non-Irish nationals are three times more likely to report discrimination while looking for work than Irish nationals. Furthermore, McGinnity *et al.* (2009) report that employers are twice as likely to invite a candidate with an Irish surname to interview as an equivalent candidate with a distinctly non-Irish name. Ruhs (2009) observes that international experience suggests that such problems may worsen when competition for jobs increases. Most recently the Irish government has agreed to accept 1,800 refugees from Lybia.

In contrast to the quantitative studies quoted in Section 2.3 above, is a qualitative study by McPhee (2012) on employers and migration in low-skilled services in Dublin. It analyses the role of employers as 'institutional' factors in the creation of segmentation in the labour market. This segmentation by employers is based on the nature of demand and with the impact on the individual worker or groups based on their personal characteristics. It has been brought about through maximising profits and cutting production costs. McPhee (2012) contends that this can be further understood through a triangulation of the supply and demand of labour and state policies. She continues that employers are key players in shaping demand and exploiting supply trends. To put this research in context, Ireland's economy growth from the mid-1990s until 2007 was most noticeable in service and knowledge-based industries. There was an increase in temporary and contract service providers, primarily influenced by cost-cutting strategies within both MNCs and the Irish public sector. The national social partnership agreements from the late 1980s to 2006 only covered unionised sectors, including the public sector and indigenous industries. High-tech, non-union MNC export industries and temporary service-based sectors such as restaurants and hotels were excluded from such agreements (Hastings *et al.*, 2007). The Services, Industry and Professional and Technical Union (SIPTU) and Mandate are the only trade unions that actively engage with the Irish private sector and they and their umbrella body, the Irish Congress of Trade Unions (ICTU) admit that union membership amongst non-Irish born workers was very low. Research by Mac Einri (2006) states that there is now a new class of underpaid migrants in Ireland, leading to deterioration of wages and terms and conditions of employment. If not resolved, employers are increasingly less likely to revert to indigenous workers. While the State has a central role in the design and enforcement of immigration policies, employers also have a key role, namely in employment patterns and working conditions amongst migrants. Temporary or subcontracting service providers (TSSPs) have now prospered under increased casualisation of labour in 'western' economies. However, it is important to point out that although such TSSPs are associated with both high and low-skilled ends of the market, the research conducted by McPhee (2012) focuses on the latter, which according to Migrant Rights Centre Ireland (MRCI, 2007), has experienced massive growth during the Celtic Tiger era. Inclusive in this particular labour market are levels of race and gender discrimination and segregation (McDowell *et al.*, 2007, 2008, 2009). McPhee (2012) concludes that three main considerations inform the focus on the low-skilled segment of the service sector in Dublin: it has been the fastest growing in recent decades, that jobs in this sector are the main source of income for many groups of immigrants and that activities in the TSSPs highlight social and geographical consequences of privatised labour market intermediation. The main purpose of McPhee's (2012) research was to establish employer behaviour towards migrant in catering, cleaning and security sectors as well as to explore the relative autonomy of employer's *vis a vis* the State in the construction of a migrant division of labour. Seven themes were identified from the literature on the divisions of labour, segmentation and stereotyping of workers (Peck and Theodore, 2001; McDowell, 2008, MacKenzie and Forde, 2009), namely: geography of dislocation, casualisation, competition, ready supply of labour, hiring methods, stereotyping and benefits and pay.

## **2.6 Summary of literature review**

It was clear to this researcher that a research gap of eight years existed in 2007 regarding a quantitative study of the practice and prevalence of PM in Ireland. Indeed, it was the researchers aim to make the study a holistic one, embracing for the first time in Ireland a comparative study of this management function across both sectors, private and public. Of particular interest in this paper is its role in communicating with staff in relation to feedback of their work performance and to do this effectively, by way of formal training for both line managers and staff in readiness for their 'performance review' meeting. Whilst no study was found in the review of the available literature regarding the role of PM and the management of migrant workers, a qualitative study has been located regarding the employment of low skilled workers in Dublin. Its findings will also be discussed with recommendations made as to how PM could improve conditions for such workers and by employers using this management tool to good effect.

## **3 METHODOLOGY**

The quantitative research was carried out through the use of a probability stratified random sample. The self-administrated questionnaire was validated by it being modelled on that used by Armstrong and Baron (2003) in their UK survey of PM conducted in 1997. The five strata that make up the sample are as follows:

1. Dublin and the rest of the country (25 counties)
2. private and public sector organisations
3. six employee class sizes
4. 10 private sector categories as listed in the Kompass Ireland (2007) database
5. 4 categories of the public sector.

The sample was drawn from the Kompass Ireland database, and the research tool was a self-administered questionnaire distributed by post to 499 organisations across the Republic of Ireland. The response rate was 41%, or 204 responses.

The qualitative survey was conducted in Dublin between September 2010 and March 2011 by way of semi-structured interviews with eight businesses in each of the chosen categories – catering, cleaning and security services as well as representatives from SIPTU, Mandate and the ICTU. Business sizes were from 5 to 250 employee's maximum. The 24 interviews were conducted with the employers of each business.

## **4 FINDINGS**

In the quantitative survey it was found that 73% of respondents operate formal PM processes; 66% in the private sector and 91% in the public sector equivalent. The low percentage in the private sector compared with other surveys listed in Section 2.3 could be attributed to the fact such systems or processes are now so much a part of private sector management systems that they do not feel the need to introduce new explicit systems; the MNCs' influence would have been strong here and this may be the reason for it. The findings in this study were based, largely, on a mono-culture and Irish citizen (in the public sector, as they do not tend to employ non-Irish citizens) sample in the public sector and a more international sample in the private sector (MNCs containing many more international citizens and with more internationally validated PM measures).

In terms of the category of staff and in relation to the qualitative study by McPhee (2012), 53% (n=108) stated that all of their full-time staff were included in the PM process. 40% (n=81) reported that all of their part-time staff were covered, while only 24% (n=48) indicated all of their contract staff were also covered. Just 12% (n=24) related that all 'other' categories of staff were also addressed. Under bivariate analysis, just under 90% of full-time staff in both sectors had more than half of that level operating under a PM process. Meanwhile, 78% and 77% of part-time workers in the private and public sector, respectively, were also covered. There is significant coverage of contract workers by PM in the public sector, at 81%, compared with 51% the private. Over 50% of 'Other' workers were covered in the public sector, at 61%, in comparison with 41% in the private. These figures augers well for the public sector but shows coverage of PM overall and in particular, in the private sector amongst its part, contract and 'other' workers need to addressed. It reflects employers lack of attention and focus to this segment of the workforce as highlighted by McPhee (2012).

Regarding the overall level of training in PM techniques, 70% and 66% of all senior managers and line managers respectively are trained, while just 50% and 45% respectively of skilled and manual employees respectively were similarly trained. In terms of training staff in PM techniques between the sectors, results show that the public sector outscored the private at all levels, most notably amongst manual/blue collar workers where, when looking at 50% or more trained – 77% of manual workers are trained in the public sector compared with only 21% in its commercial equivalent.

Regards communication, 'to provide feedback on performance' is one of the three most popular objectives of PM, based on the percentage of all respondents who ranked 12 objectives listed in their 'top three'. The two sectors are in accord as to their main objective, namely 'to agree key objectives'. Over 90% from both sectors offer additional training and development to those staff covered by PM, based on needs identified during their 'performance review' meeting with their line manager. 'Lack of follow up by line managers and HR' 'lack of senior managerial support' and 'failure to review/monitor the system' were the three greatest inhibitors, based also on those who ranked the 8 inhibitors listed in their 'top three'. By sector, the 'top three' inhibitors were 'lack of follow up by line managers and HR', 'subjectivity/bias in appraisal', and 'failure to review the system' in the private sector. The public sector also identifies 'lack of follow up by line managers and HR' as its greatest inhibitor tied with 'lack of senior management support', followed by 'failure to review the system' and 'too much paperwork' tying with 'lack of staff support' in third place. Significantly, 'lack of training for line managers' in PM techniques which was seen as the least inhibiting factor.

McPhee's (2012) study is based on the seven themes listed in Section 2.3 above highlight the extreme casual nature of work in the TSSPs sector and employers almost sole focus on their own day-to-day survival. These themes are organised under three dimensions: business approaches, worker selection and entitlement of workers. The business approach or focus in a highly globalised market economy is lowering costs, leading to reliance on flexible and cheaper labour. What has emerged is a contingent of low-skilled workforce with a 'no strings' attached approach. Casualisation of labour is now the norm and having an adaptable workforce is associated with the regulation of daily costs. In the midst of all this, the ICTU have commented that trust is the biggest obstacle for both the employer and the workers in smaller companies. The study has found that in the catering, cleaning and security sectors, workers are businesses' highest expenditure and they carry the burden of cost cutting for survival. Focus is on services provided to clients and not what workers bring to the business, resulting in a causal approach to qualifications and experience. This leads to the second dimension, namely worker selection where employers need access to a flexible supply of workers, often at short notice. McPhee (2012) has found that immigration 'drives' and policies have led to the

inflow of certain groups of workers at certain times. But in recent years, as stated by Ruhs (2009) above, immigration conditions for workers coming from outside the EU have become very difficult but has not affected immigrants from the EU. Employers in Dublin have indicated the importance of the existence of a large number of non-EU male students from Asia as potential employees in low-skill industry. Men are favoured for food preparation, while women are preferred in cleaning jobs in hospitals and schools. Catering also sees a larger proportion of foreign women, particularly for serving food at functions and in large on-site MNC canteens. It is noted that there is a demographic shift in the last 15 years where older workers in cleaning and catering have been replaced by younger non-Irish nationals. Compared to foreign nationals, Irish workers are portrayed as lacking flexibility about time and availability which links employers' need for a very flexible undemanding workforce. SIPTU found also that immigrant workers do not want to join trade unions because they save all their money so that they can return home. As regards entitlements of workers, McPhee (2012) has discovered that the security industry is aimed at regulation by the Private Security Authority which was set up in 2006. While not fully transparent or regulated, it is more uniform than exists in cleaning or catering. The Security Employment Regulation Order results in more uniformity in adhering to regulations. Security work also requires a qualification, a certificate at Level 4 or 5. But SIPTU report that this industry has an almost 100% Irish workforce. In catering and cleaning, statutory requirements did not include contracts and 20 of the 24 businesses surveyed offered non-contractual employment to workers with minimum wage and with no bonus system. Most employment was on a part-time basis with workers moving between employers or working 20 hours permitted as a non-EU student in Dublin. Irish workers once employed in low-skilled services have moved on to more profitable areas of factory assembly or construction, although there is a return to security with the collapse of the construction sector.

## **5 CONCLUSIONS AND RECOMMENDATIONS**

In this paper we have seen that the roll-out of sophisticated PM systems has been important to public and private sector organisations in Ireland. We have also seen that training in PM at all level facilitates enhanced communication between management and workers and between workers, thus leading to a clearer sense of organisational mission. This area will be complexified by the fact that there has been a large amount of migrant workers who have come to Ireland after the expansion of the EU, from non-EU countries and from a cohort of expatriate managers working in Irish based MNCs. In addition to the challenge of implementing PM systems for indigenous Irish workers, there is now a need to address how these PM systems will be used with and by an increasingly multi-cultural workforce in Ireland, in particular those who are temporary and or contract staff. It is of concern to note that overall, only 24% of contract staff are covered by the PM process or system. Furthermore, it is also disquieting that according to McPhee (2012), State policies are one institutional factor underlying migrant labour trends and experiences within the Irish labour force. She adds that the low level of skills required for much of the work, and the emphasis on employer ability to structure the work has a direct impact on who is employed. Based on her analysis, it can be concluded this segmented labour market is the result of discrimination, stereotyping and cost-cutting strategies utilised by employers. PM should have a role here in employee retention where currently workers are not selected based on their ability or qualifications but based on social characteristics including gender and perceived features. Employers link processes of selection and the nature of workers available back to state policies, making reference to 'waves' as well as to SOLAS (formerly FAS), the state employment agency. Employment policy should focus on the nature of employment rather than simply on migrant workers. Under the umbrella of PM, migrant

workers' ability to negotiate benefits, rights and become upwardly mobile needs to be examined carefully, given the impact of their place in the segmented labour market. These challenges are not unique to Ireland, even though she may be experiencing them somewhat later than other countries have done so. There should be more emphasis on training needs analyses which address the needs of workers with different linguistic and cultural backgrounds and these need to shape the design and implementation of PM systems. Further, the training for such PM systems needs to incorporate inter and multi-cultural sensitivity particularly in relation to power distance and willingness to express uncertainty. Finally, there needs to be high levels of buy-in by the State and senior management in order to support greater multi-cultural activity and to allow employees the space and time to embrace its richness. This training and recognition therein is essential not just for those immigrants working in Ireland for foreign and indigenous industries and can be applied to Irish organisations who have created employment overseas.

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# ***The HR-Staff Ratio – How to Calculate Easily? A Theoretical Model and Practical Application Compared Interculturally***

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## **ABSTRACT**

The current paper presents the 2nd replication of a hypothetical model that – based on theoretical reasoning as well as on empirical results – has been developed in order to predict useful sizes of HR departments and explain differences in the HR-staff-ratio in different organisations of different countries. Empirical tests using the survey data from Cranet-G from survey rounds in 1999, 2004/5 and 2008/09 confirm that the theoretical model, first developed in 2001, is still valid. The new version of the model integrates country specific influences.

For the presentation, the data and results from 2014 will be integrated. Not all necessary data files of the last survey round from Cranet G are available and therefore were not used for calculation in this paper. An integration of the new results into the paper will be done immediately after.

## **1 INTRODUCTION**

The importance of HRM as an “institutionalized way of handling the central issues of selecting, appraising, rewarding, and developing people” has grown significantly over the past decade (Brewster et al., 1997; Brewster & Hegewisch, 1994; i4cp 2010; KPMG 2014). Nevertheless, general discussions about cost cutting, downsizing, lean management, , the replacing or completing part of HR functions by IT-services, the increasing use of internet platforms at the place of using people doing service (e.g. in recruitment), etc also lead to the question whether HR departments are overstaffed or not. Furthermore, there are two other sets of reasons making this question an important one: very often it is part of HR’s responsibilities to supervise the leanness of the organisation and therefore it is necessary not to be overstaffed. On the other hand, the HR function itself is considered to be part of the “overhead” costs, and feels under pressure.

Questions like “Do we need so many specialists?” or “Can HR-functions be fulfilled more efficiently by line managers?” or “Should we think about outsourcing parts of our activities to external specialists?” are issues that are discussed and practiced by part of the companies. The USA recommends the size of HR departments to value around 1 percent of the overall headcount, so that to every one member in the personnel department there are one hundred employees. Empirical evidence from the Cranfield Network on Human Resource Management (Cranet-G) since 1993 show, however, that existing personnel departments are on average larger than predicted by this rule (approx. 1.3 percent of the overall headcount in 1993, 1.5 percent in 1999 and 1.4 percent in 2004/05 and in 2008/09; standard deviation is about  $\pm 1$  percent. These calculations are overall measurements without having checked whether the relevant control variables are similar ones in the studies that have been carried out over the past years). Furthermore, we can observe substantial differences among the organisations.



The data from 1999 (but also from other survey rounds) point out that on one hand 5 percent of organisations have rather large personnel departments with more than 4 percent of the employees (3 percent in 2008/09). On the other hand 5 percent of the organisations have ten times smaller HR departments with less than 0.4 percent (0.3 percent in 2008/09) of the overall number of employees in HR functions. In view of such big differences among the examined organisations and of values far away from the cited recommendations, we have to question either if the rule is misleading or if there are good reasons for organisations not to follow such rules.

According to Ommeren and Brewster (2000) normative rules for the size of HR departments are often too simple, misleading or simply misunderstood. The authors point out that there are a lot of internal and external factors influencing the requirements for different sized HR departments. Brewster et al. (2006) as well as Strunk & Erten (2001a, 2001b, 2007, Strunk & Erten 2009) have analysed data from Cranet-G and on that basis developed a theoretically plausible model for the size of HR departments. Starting from a list of possible factors of influence compiled by other scholars, we have formulated a theoretical model, which enables us to describe the size of HR departments in relationship to specific characteristics of organisations.

## 2 DETERMINANTS OF THE SIZE OF HR DEPARTMENTS

According to the above mentioned rule of thumb, companies with approximately 100 employees are recommended to have one employee in the human resources department, whereas companies with 10,000 employees should have 100 in their personnel department. Furthermore the rule suggests a constant HR-staff ratio, independent from the size of the company. But this cannot be empirically proven. On the contrary, it has been shown in numerous studies (e.g. Schuler & Huber, 1993; Bloomberg BNA 2016) that the bigger the company, the lower the HR-staff ratio. This is quite plausible if we consider that in large enterprises a more efficient use of the human resources department prevails. Moreover, it pays to have costly HR programmes, e.g. training courses, etc. if many employees can be reached at the same time. These are reasons why personnel departments in large corporations can be more efficient than in smaller ones.

Apart from the fact that larger organizations can work more efficiently in the HR field, there are other, specific determinants influencing the activities of the HR departments. We think that the size of a personnel department is determined by two independent factors:

- (1) **Complexity of HR activities:** The number of responsibilities of the HR department as well as its complexity.
- (2) **Efficiency:** The effectiveness and efficiency in handling their activities.

The size of an HR department is something like a sum of these conflicting factors. While the complexity of HR activities demands more staff in the HR department, helps the efficiency in handling HR activities to keep the staffing limited. As already outlined, the second factor may be influenced by the size of the organisation. Both factors may be influenced by a lot of other variables. The possible list of aspects leading to more complexity in HR activity may be infinite in nature. Based on theoretical assumptions we have tried to discuss these variables on the basis of three different spheres of influence (Strunk & Erten-Buch 2001a, 2001b):

- (1) **Field of activity:** Summarizes characteristics like the sector of the economy, the export orientation, the degree of internationalisation as well as the position of an enterprise in a group of companies/division.
- (2) **Organisational details:** Information on the structure of the workforce like e.g. staff turnover and age structure, percentage of management and percentage of employees under 25 years from the overall headcount as well as the overall number of employees will be examined.
- (3) **Outsourcing of HR activities:** Summarizes the outsourcing of HR activities to external providers or the assignment of responsibilities to line managers.

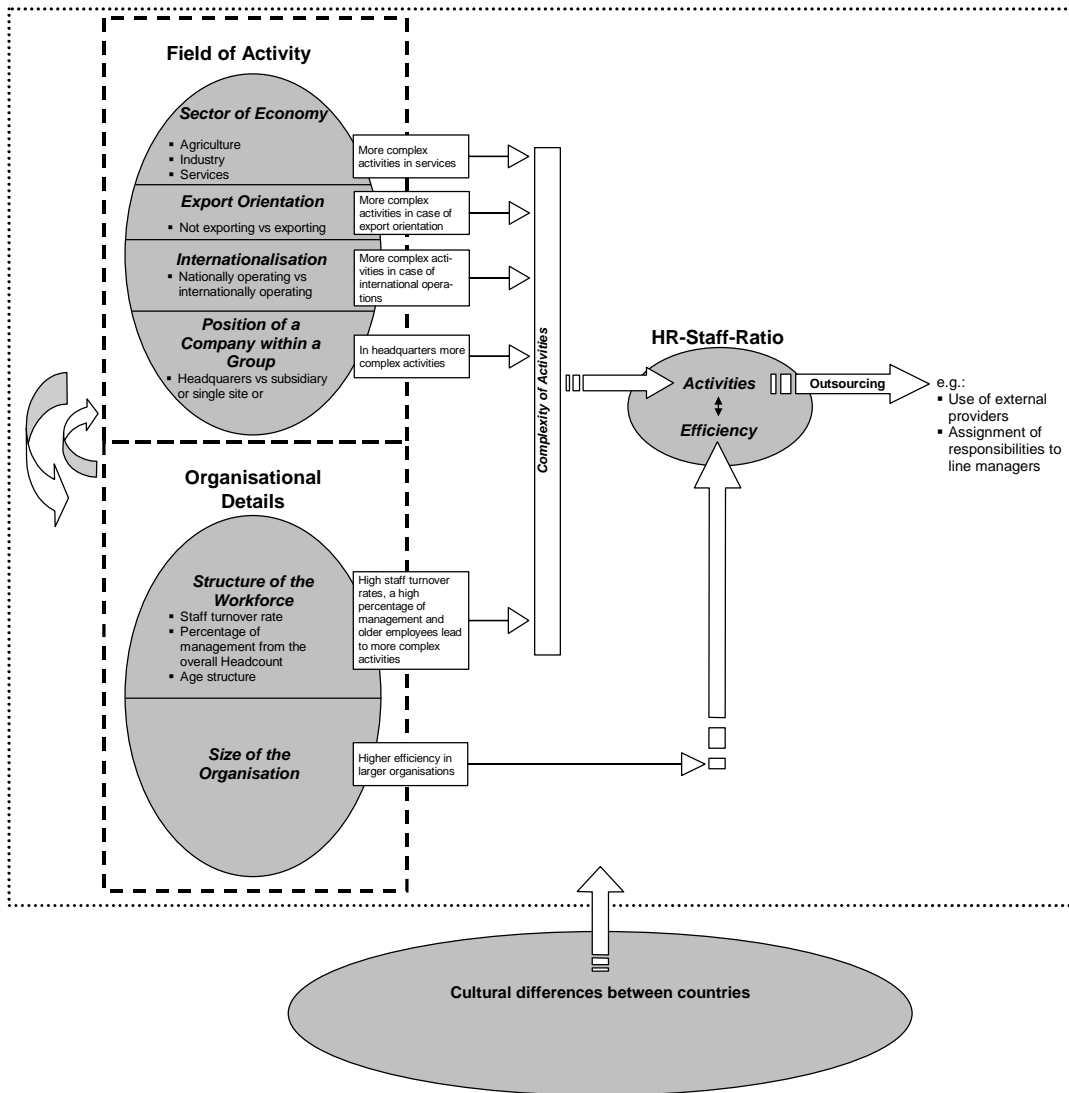
We want to stress that in our opinion all of them exert some sort of influence on the number of responsibilities of the HR department as well as on their complexity.

Nevertheless, it has to be stated that there are also cultural differences relevant for the size of the HR department. Depending on the theoretical model used to assess such cultural differences, it is more or less possible to integrate them into our considerations. But we assume that the cultural framework reflected in different legal and regulatory systems of countries lead to differences in the intensity of the influence; however, the sets of determinants influencing the HR department may not be so quite different.

## 2.1 Cultural/Country specific influences on HRM

In different countries basic activities are regarded with different degrees of importance and are carried out differently. Therefore the practice of HRM is – more than other business functions – closely linked to national culture (Gaugler, 1988) and developments in cross-national HRM show a strong influence of national factors on HRM practices, like e.g. the HR staff ratio. The country factor, in Europe at least, is usually the most significant explanatory variable of HR practices (Brewster, Mayrhofer, and Morley, 2004).

The increased level of globalisation and hence of competition amongst companies, has also resulted in an increased need of knowledge in the field of HRM issues (Brewster et al. 1996, Dowling et al. 1994, etc.). Modern people managers often have the responsibility for developing staff for subsidiaries in several countries. Therefore, it would be valuable to understand HRM of different national and regional settings and to develop predictors in order to best choose and work on HRM practices. This has resulted in an increased number of academic studies comparing HRM from a cross-national view point (e.g. Aguilera and Jackson, 2003). HRM research has also demonstrated the impact of the dynamic business environment, partly unique to each nation (e.g. competitive pressures on certain HRM instruments or policies), partly applying for most of the countries (e.g. growth of business alliances, downsizing of organisations and their workforce, impacts of new information technologies, quality and social costs of employment, etc) (e.g. Gooderham, Nordhaug, and Ringdal, 1999).



**Figure 1.** First theoretical model showing factors of influence on the size of HR departments (before any testing).

Although we assume to have considered important determinants on the size of the HR department within this model, we also want to stress that the above mentioned factors do not present a complete list of all possible factors of influence on the HR-staff ratio (cf. Ommeren and Brewster, 2000).

Furthermore, we presume that the above outlined determinants do not only have an influence on the HR staff ratio but also influence themselves. Complex interactions between these factors may make it difficult to differentiate the effects of single factors. To give an example we may assume that on one hand internationally operating companies will on average be larger than locally, regionally or nationally operating enterprises. Larger organisations often have smaller

HR-staff-ratios. On the other hand internationally operating companies are confronted with more complex HR activities which should lead to higher HR staff ratios. Therefore, the proposed effects may be expected to single each other out.

As outlined above we think that all of the determinants described within the model exert some sort of influence on the HR staff ratio. Empirical studies such as Hofstede (1980) or Trompenaars (1994) emphasize great cultural differences between workforces among countries. Nevertheless, we assume that the cultural variable probably only enforces or weakens the different sorts of influences of the described determinants but does not change them completely. This means that the basic tendency of an HR department being larger or smaller will not be deeply affected by the cultural framework of the country in question.

### **3 THE EMPIRICAL ANALYSIS**

Firstly, the model will be proven empirically by using the Cranet-G data from 1999 which contain 5,614 private owned organisations in 26 countries. Secondly, using data from the survey rounds in 2004/05 and 2008/09 indicates that the basic model is stable in time.

In this section we are going to discuss the data as well as the construction of the dependent and the independent variables.

#### **3.1 The data**

The basic source of data used for this study comes from the Cranet-G Survey 1999, 2004/05 and from the Cranet-G Survey 2008/09, collected within the Cranfield Network on Global Human Resource Management. Cranet-G is a research network trying to analyse developments in the area of HRM in public and private organisations in a national, cross-national and (quasi-)longitudinal way. It consists of research institutions in over 40 countries worldwide, coordinated by the Cranfield School of Management, UK. On a regular basis, a national sample of private and public organisations with more than 200 employees is asked about various aspects of HRM via questionnaire. The core questions of this questionnaire are identical for each country in the sense that, taking the British questionnaire as a starting point, through a translation-retranslation technique it is ensured that one gets as much comparability of the questions as is possible in a cross-national and cross-cultural context. The questionnaire was constructed to achieve international comparability, while at the same time retaining local sensitivity. The questionnaire is therefore also adapted to the specific national situation. Furthermore, there are regular panel meetings with HR practitioners in each country where the results of the questionnaire and its implications are discussed. The data is broadly representative with respect to the industrial sector (using the European Union's NACE categorization) in every country.

This paper is based on the data collected in 1999, in 2004/05 and in 2008/09 in public and private organisations.

#### **3.2 HR staff ratio**

To establish the index of the HR-staff ratio, the number of staff in the human resources department has been divided by the total number of headcount in the company. Because of missing values in the questionnaires it was not possible to calculate the HR staff ratio for all observations. Furthermore, we excluded extreme values of HR staff ratios above 9% from the analysis. They might be due to mistakes in completion of the questionnaires or reflect very specific situations of only single companies.

To give an example for concrete HR activities we added the variable "training and development" as an additional predictor.

### **Training and development as additional predictor**

As already mentioned the number of HR staff also may depend on the characteristics of the organisation's workforce. To organise development and training for a large percentage of employees is time consuming and requires certain skills of the HR staff. In our hypothetical model training and development is part of the variety of tasks of the HR departments.

### **3.3 Methodological procedure**

In a first step we wanted to get an overview of such predictor variables that can explain variations of the HR-staff-ratio. At this level possible predictor variables are all Cranet-G predictors based on the theoretical model (see table 1) except cultural or national differences. We calculated simple bivariate correlations as well as partial correlations. Bivariate correlations show a relationship between the predictor and the characteristic feature in question, without taking interactions between the predictors into account. The advantage of partial correlations is that all sorts of other inter-active patterns between other variables are eliminated.

The goal of this first step was to eliminate all variables that did not contribute to explain the HR staff ratio. After this selection process a multiple regression model, including all potential predictor variables that were left in the model was calculated.

In order to integrate cultural factors into the final model, we applied statistical software for multi-level-analysis (MlwiN 2.02). This tool allowed us to combine data from organisations of the 2003/04 CRANET-G survey (level 1) with country specific indicators (level 2) in order to investigate influencing factors from a multidimensional perspective. Starting with a model forcing in all first level variables, we have built separate models for (1) Hofstede, (2) Trompenaars, (3) GLOBE on culture, (4) GLOBE on leadership. For the multilevel analyses only complete data sets can be used and no missing values are allowed at all. For the survey round 2008/09 complete data sets are available for the countries listed in Table 2.

## **4 RESULTS THEORETICAL MODEL**

In contrast to our hypotheses five out of the eleven above described predictors (see figure 1) could not contribute to the explanation of differences in the HR staff ratio. None of these five variables showed a statistically significant partial correlation with the HR staff ratio.

### **Not significant predictors in the field of activity**

We have hypothesized that "export orientation" and "internationalisation" are predictors for a tendency to large HR staff ratios and we have to reject this hypothesis. We have to observe that export oriented and internationally operating enterprises – without taking interactions into account – lead to a smaller HR staff ratio. In reality this is probably due to the fact that such companies are in general larger and therefore have smaller HR departments. The analysis of the partial correlations shows that both predictors have no impact on the size of the HR department within the model.

More in-depth-analysis of the two variables shows that they are very much intertwined. Their correlation with each other is strong and there is also a strong relationship with other variables of the model. Positive correlations can be identified for both of them with the number of employees trained during the year of the survey, the use of external providers for HR activities, and the assignment of HR responsibilities to line managers. Furthermore, we could observe that both aspects are more important in the industrial sector than in the service sector.

Summarizing the above outlined results, it can be stated that on one hand the number as well as the complexity of the HR activities is greater in internationally operating companies. On the otherhand our results show that this situation is compensated by a more extensive use of

external providers and the allocation of more activities to line managers. Furthermore, the effects of both of the variables are rather indirect. This means that there are other variables within the model (e.g. industry or percentage in training and development etc) better suited to explain the size of the HR department.

### **Not significant predictors within the organisational details**

In contrast to our hypothesis the analysis reveals that there is no statistically significant relationship between the turnover rate of the workforce and the size of the HR department. In particular, it turns out that the turnover rate of the workforce is higher in enterprises with a large proportion of employees under 25 years. We therefore assume that the other variables of the model have better explanatory values.

### **Outsourcing of HR activities**

In contrast to our hypothesis none of the variables that could have eased the workload of the HR department shows a relationship with the size of the HR department. Interestingly enough, these findings are not only true for the whole model, but also for simple bivariate relationships. We can observe that both sets of outsourcing activities, the use of external providers as well as the assignment of HR responsibilities to line managers, are more common in larger companies or in companies with a rather small proportion of manual workers but this cannot explain the results of the bivariate analysis showing no relationships between these predictors and the HR staff ratio. We may therefore assume that these factors act as pressure relief, helping the HR departments in times of too heavy workload at the place of decreasing the size of the HR staff.

Nevertheless, our results offer more sets of explanations: as already mentioned we know that larger companies have a tendency to smaller HR staff ratios. The more extensive use of external providers as well as a tendency to decentralise HR activities in larger companies may be two examples to demonstrate how HR departments of such enterprises succeed in working more efficiently. This would mean that the underlying relevant factor would be the size of a company and not the outsourcing of activities.

## **4.1 The final model**

After having excluded the five statistically not significant variables there are six predictors left within the model (see figure 2). None of these predictors shows deviations from the above described hypotheses. This means that our model goes in line with the mechanisms outlined in the reviewed literature. In view of our data, being rather heterogeneous because of its origin from many countries, we can state that the explanation of variance of the dependent variable, the HR staff ratio, with an R-squared of .21 is surprisingly high.

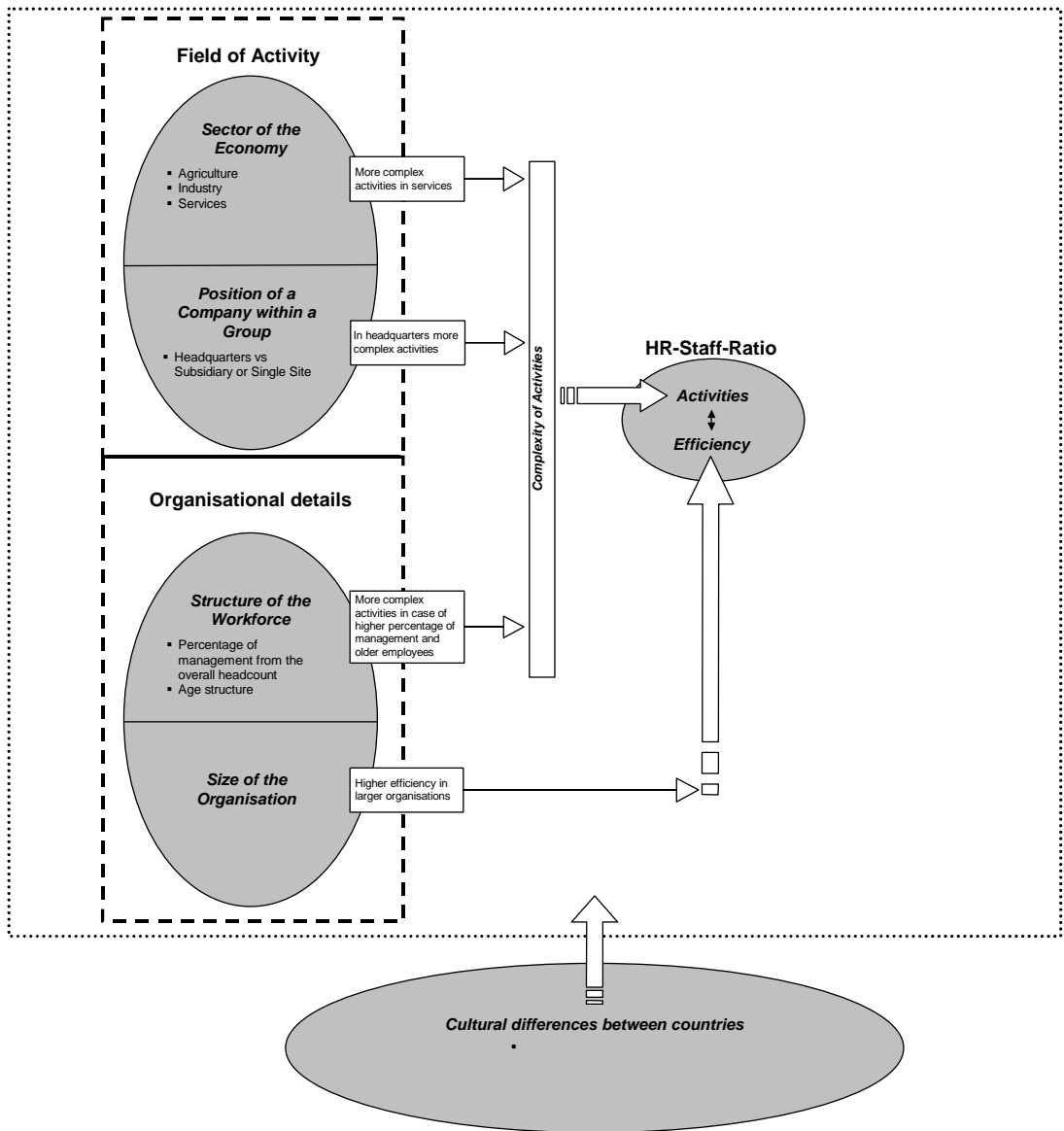
The replication of the model (see table 1) with data from the survey round in 2004/05 leads to similar results. All of the Beta-weights show the same algebraic sign which can be interpreted as a confirmation of the overall structure of our model. Variables, that seem to increase the complexity of the work of the HR department in 1999 and thereby lead to a higher HR-ratio do the same in 2004/05. However, the value of the R-square in 2004/05 lies with .15 below the value in 1999. In addition to that there are two more predictors that are statistically no more significant. The differentiation between headquarters and Single-side seem to have lost its impact on the size of the HR department. The second variable that is not longer statistically significant in 2004/05 is the "Proportion of employees on training:" this can be interpreted as an indication towards a decreasing influence of handling training issues on the size of the HR

department. But as this variable had already shown the lowest level of statistical significance in 1999 this may be considered as a logic development.

**Table 1: Standardised Beta-Coefficients**

	Size of the organisation	Industry	Percentage of manual workers in relation to management	Headquarter s vs. subsidiary or single site company	Proportion of employees on training	Proportion of employees under 25	R <sup>2</sup>
Model for all countries 1999	-.456 **	-.080 **	-.063 **	.062 **	.054 *	-.059 **	.210
Model for all countries 2004/05	-.356 **	-.123 **	-.064 **	.006 +1	.028 +2	-.094 **	.153

\* p < .05  
\*\* p < .01  
+1 p = .779  
+2 P = .188



**Figure 2.** Empirical model showing factors of influence on the size of HR departments (after testing)

## 4.2 The final model and cultural/country specific influences on HRM

Thus, our model explains the variation in the sizes of HR departments rather well even without taking into consideration cultural determinants. Nevertheless,, we think that looking at cultural traits of different countries will lead to differences within the model. Based on our assumptions we believe that there is a set of country specific variables influencing the size of the HR



department. Concrete theoretical models on these issues are very rare and therefore our research is mostly explorative.

For the study of management, it is important to examine the relationship between culture and organisations. Research within cross-cultural management therefore attempts to identify how culture influences organisations as well as managerial functions and actions. Culture seems to have an impact on the micro-variables, such as people's behaviour, and also on the macro-level for example on technology or organizational structure. But the abstract and complex nature of culture makes it difficult to identify and analyse this phenomenon.

In order to assess cultural similarities and differences, a framework for further study is necessary. A variety of helpful models have been proposed that examine groupings of cultural values. (e.g. Hofstede 1980, Trompenaars 1994, Chhokar et al. 2007). Each approach provides somewhat different insights; thus each can be useful on its own or in combination with other models. In essence, however, it has to be stressed that cultural models can only provide a simplified way to examine cultures. All cultures are far more complex than these models suggest, and it is important that this complexity is taken into account.

- **Culture's consequences:** Hofstede, the very well known, positivist, empirical researcher in the field of cross-cultural studies, stresses the mental conditions that cultural experiences impose. Based on Hofstede's work we are using data on (1) Individualism versus Collectivism, (2) Power Distance, (3) Uncertainty Avoidance, and (4) Masculinity versus Femininity. Values on these four variables are available for different countries (Hofstede 1980). Hofstede's work has been extensively reviewed, discussed and criticized from different points of view. Definitely his model has its weaknesses, but nevertheless, it can be judged to be useful heuristically as a starting point for the further investigation of cultural influences on management, and particularly for more qualitative research and analysis (Adler 1991).
- **Riding the waves of culture:** Fons Trompenaars (1994), a Dutch management consultant, presents a seven-dimensional model of national culture which he argues is particularly relevant to the conduct of international business. He relates differences in national culture to differences in ways of organizing. His database covers about 15,000 respondents. We are using data on 15 different key questions for which Trompenaars (1994) gives tabulated country specific values.
- **Culture and leadership across the world:** The GLOBE study focuses on both, culture and differences in leadership across 25 societies (Chhokar et al. 2007). It was conceived by Robert J. House (Wharton School of the University of Pennsylvania) in 1991 and at first he aimed at an international research project on leadership. Later on the study branched out into other aspects of national and organizational cultures. Furthermore, GLOBE used two contexts to ask its culture questions: in the society and in the organization and GLOBE consciously attempted to avoid ethnocentric bias.

We are using data for nine scales on culture:

- (1) Institutional collectivism: extent to which companies or societies enforce collective action and collective distribution of resources.
- (2) Uncertainty avoidance: society's reliance on societal norms and procedures to alleviate unpredictability of future events.
- (3) Gender egalitarianism: extent to which a society maximizes gender role differences.
- (4) Future orientation: extent to which a society encourages and rewards future-oriented behaviour such as planning, investing in the future and delaying gratification.

- (5) Human orientation: degree to which fairness, altruism, generosity and caring are encouraged and rewarded.
- (6) Performance Orientation: degree to which a society encourages and rewards group members for performance improvement and excellence.
- (7) Power Distance: degree to which members of a society expect power to be unequally shared.
- (8) In-group collectivism: degree of encouragement to be a member of groups.
- (9) Assertiveness: extent to which people are encouraged to be tough, confrontational, assertive and competitive.

According to leadership we use the second level scales: (1) charismatic, (2) team-oriented, (3) self-protective, (4) participative, (5) humane, and (6) autonomous.

## 5 RESULTS SURVEY ROUND 2008/09

Stepwise regression and additional bivariate correlation analysis result in a slightly new model for the survey round 2008/09 which is very similar to the model for 1999 and 2004. Differences are only marginal and maybe only results of small differences that have been introduced into the questionnaires of 2008/09 as compared to the previous ones. The model is based on seven variables with an explanation of variance of 15% (without taking country effects into account). The following variables have been included (Table 2):

- 1.1 Field of activity – Sector of the economy:** as outlined in chapter 2.
- 2.1 Organisational details – Percentage of manual:** Companies with a high percentage of manual workers from the overall headcount will require not so much HR activities. Recruitment, training and development or calculations of compensation models for highly qualified staff is more time consuming and expensive than for low skill employees.
- 2.2 Organisational details – Percentage of younger employees:** The arguments given above for the percentage of manual workers will also be true for younger people of the workforce. Here we are also faced with lower training and development needs.
- 2.3 Organisational details – Percentage of employees receiving internal training:** One of the most important tasks of HR departments is the organisation and implementation of measures in the field of training and development. The bigger the proportion of employees involved in such measures, the bigger the HR department.
- 2.4 Organisational details – Proportion of workforce on job share:** The proportion of workforce on job share directly leads to more complexity in HR-issues.
- 2.5 Organisational details – Use psychometric tests for clerical:** If psychometric testing is needed for more groups of employees (not only management) HR issues seem to become more complex.
- 2.6 Organisational details – Overall headcount:** The overall headcount is another important determinant of the HR staff ratio (e.g. Cullen et al. 1986). We found that large organisations generally enjoy economies of scale (Ommeren & Brewster 2000). For example, wage administration, recruitment and training can be organised more efficiently if more employees are involved. Furthermore larger firms should require proportionately fewer staff to be directly engaged in monitoring and control (Brewster et al. 2006).

A preliminary multilevel-test shows significant country effects ( $p = 0.035$ ) indicating that there are significant differences between the countries. Based on the named cultural models we have tried to explain these country effects.

- **Culture's consequences:** One of the four dimensions shows a significant result. Higher masculinity is associated with higher HR-Staff-Ratio. This leads to a situation

where the country effects are not significant any more. Masculinity is therefore able to explain much of the country effect.

- **Riding the waves of culture:** None of the 15 key questions show significant results. That means that the dimensions of Trompenaars are not helpful in explaining the country effects found for our model.
- **Globe culture:** Seven out of nine variables show highly significant results which leads to a situation where no additional country effect can be found any more. These variables are therefore able to explain the country effects. The following factors show significant influences: (1) institutional collectivism (higher HR-Staff-Ratio). (2) uncertainty avoidance (lower HR-Staff-Ratio). (3) gender egalitarianism (lower HR-Staff-Ratio). (6) performance orientation (higher HR-Staff-Ratio). (7) power distance (higher HR-Staff-Ratio). (8) in-group collectivism (lower HR-Staff-Ratio). (9) assertiveness (higher HR-Staff-Ratio).
- **Globe leadership:** Four of six variables show highly significant results which leads also to a situation where no additional country effect can be found any more. These variables are therefore also able to explain the country effects. The following factors show significant influences: (1) Charismatic (higher HR-Staff-Ratio), (4) participative (higher HR-Staff-Ratio), (5) humane (lower HR-Staff-Ratio), and (6) autonomous (lower HR-Staff-Ratio).

## 6 CONCLUSION

We have been testing a theoretical model containing a number of important structural as well as organisational factors of influence on the HR staff ratio. These determinants were chosen according to theoretical reasoning and empirical data. The empirical analysis used Cranet-G data from 1999 which contain 5,614 private owned organisations in 26 countries. The results of our first model testing across all 26 countries led to the elimination of the following predictors having no explanatory value for the size of the HR department: turnover rate, export orientation, international/transnational orientation, the use of external providers, and the assignment of HR responsibilities to line managers. Further testing of the so constructed final model confirmed all of our hypotheses.

The replication of the model (see table 3) with data from the survey round in 2004/05 (3,984 organisations in 19 countries) led to very similar results. All of the Beta-weights show the same algebraic sign which can be interpreted as a confirmation of the overall structure of our model. The second replication with later CRANET-G data from 2008/09 contained 1,161 private owned organisations in 18 countries.

The “new” final model is based on seven explaining factors and leads to an overall explanation of variance of about 15%. But this also means that a great amount of variance can not be explained by the model. A reason for this can be seen in the heterogenic datasets coming from different countries with different cultural backgrounds. It was therefore a main goal of our present paper to enrich the model for explaining the size of HR departments with country specific data.

The results concerning cultural influences show strong evidence that culture counts. However, the fit is better for newer data from the GLOBE-study. That leads to the question whether older studies in the field of comparative (cross cultural) management are still valid and should be used as a guideline for important decisions in management.

From a theoretical point of view it is clear that culture does not have a direct causal effect on HRM. This is very much like the well known discussion in organisation theory about the role the environment plays in the configuration of the organisation (see, e.g. Burns and Stalker,

1961; Kieser and Kubicek, 1992). Although contingency research empirically links environmental characteristics with specific organisational configurations, it is theoretically clear that it is not 'the environment' that 'directly influences' the organisational structure. Environmental characteristics are a frame within which certain configurations do have a higher chance to be realised, often because of efficiency advantages. In a similar way, we would suggest to describe the effect culture has on organisational practices in the area of HRM.

The evidence presented in this paper has theoretical and practical implications. Theoretically, a number of hypotheses on the HR staff ratio, going in line with current theoretical thinking, has been tested. Some of the results of the empirical analysis are surprising. For example, higher turnover rates are not associated with higher HR staff ratios. Such unexpected results indicate new directions to address this issue in the future. Practically, our model provides a good framework to help organisations to compare the sizes of their HR departments.

But we also want to point towards some of the limitations of our study. The Cranet-G data is obtained through a translated questionnaire in various countries. Therefore, in a way it combines the problematic aspects of both postal and cross-cultural surveys, for example uncontrolled response situation, response bias, transcultural accuracy of translated questions, or limits of interpreting findings in another culture.

However, it is valuable to describe and assess the variation of organisational practices - in our case: in the HR field - depending on various aspects of culture. What we do not know is the interplay between culture and these other factors, the role culture plays in this bundle of factors, and the mechanisms through which culture can influence concrete organisational practices. Our study therefore shows that it seems worthwhile to follow this track of research further on.

**Table 2.** Countries

	1st level	Hofstede	Trompenaars	GLOBE Culture	GLOBE Leadership
Austria	x	x	x	x	x
Belgium	x	x	not for all	no data	no data
Bulgaria	x	x	not for all	no data	no data
Denmark	x	x	x	no data	no data
Finland	x	x	x	x	x
France	x	x	not for all	x	x
Germany W	x	x	x	x	x
Greece	x	x	not for all	x	x
Hungary	x	x	not for all	x	x
Italy	x	x	not for all	x	x
Norway	x	x	not for all	no data	no data
Slovenia	x	no data	no data	x	x
Spain	x	x	x	x	x
Sweden	x	x	x	x	x
Switzerland	x	x	x	x	x
The Netherlands	x	x	x	x	x
Turkey	x	x	x	x	x
United Kingdom	x	x	x	x	x
Cases	1161	1094	602-743	901	901

**Table 3.** Final Model 2008/09

N = 1161	B	STD(B)	T	P	Sig.
Intercept	3,0E-02	1,6E-03	18,2557	0,000	*
Size of company	-4,4E-03	3,7E-04	-11,8528	0,000	*
Days per year training management	2,1E-04	5,6E-05	3,6746	0,000	*
Percentage of workforce that are manual	-1,2E-05	3,3E-06	-3,6395	0,000	*
Third sector	1,8E-03	5,6E-04	3,2009	0,001	*
Use psychometric tests for clerical	1,9E-03	6,9E-04	2,7992	0,005	*
Percentage of workforce under 25 years	-6,0E-05	2,4E-05	-2,4804	0,013	*
Proportion of workforce on job share	9,9E-04	3,4E-04	2,9104	0,004	*
Second level significance (country)	4,6E-06	2,2E-06	2,1066	0,035	*
First level significance	8,1E-05	3,4E-06	23,9481	0,000	*

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# ***Knowledge Management in Local Government Units According to Its Regional Competitiveness***

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## **ABSTRACT**

Knowledge is one of the most valuable resources of an organization. Proper and effective management of knowledge influences the competitive position of the organization. This article identifies and characterizes knowledge as a valuable resource of any organization. It introduces the analysis of the impact of knowledge management on the competitiveness of the organization. Particular attention was directed at the determinants of regional competitiveness and the role of local government in knowledge management. In the empirical part they are presented results of studies on knowledge management in municipalities Michałowice and Mysłenice. The study used a questionnaire with Likert scale and, to better illustrate the problems analyzed, profiles plotted knowledge used in the analyzed municipalities.

## **1 INTRODUCTION**

Regional development largely depends on the quality and competence of the management of local government units (LGUs). It is the managers of local governments, who have a very strong influence on what happens in the municipality, the county and the region. Popularity of research on competitiveness has continued for thirty years. However, over the last few years we are witnessing the "hysteria competitiveness" through frequent fetching assessment of many economic phenomena to being competitive or non-competitive (Olczyk M.). This is due to the turbulent, unpredictable environment. Organizations are looking for sources to obtain sustainable competitive advantage but this is a very difficult task. This is due largely to the ability of an organization to learn and to adapt to changing environmental conditions and closely following other organizations. Obtaining an important source of competitive advantage for organizations, including the local government, is the use of knowledge. In the ongoing process of globalization, in the period of building a knowledge-based economy, a very important resource for organizations is knowledge. Knowledge is one of the main resources for achieving a competitive advantage. Any organization, commercial or not, big or small must collect, store, use and disseminate knowledge in order to perform some task (M. Gorzelany-Dziadkowiec). For this reason, the aim of this article is to characterize management of knowledge in the organization and to indicate its importance. It will be presented to the knowledge management process and will indicate how knowledge management can be used in local government. The authors will attempt to prove the research hypothesis that the use of knowledge by the managers of local government units affects the competitiveness of the region. The empirical analysis will be carried out among managers of local government and among people working in offices, a five step Likert scale questionnaire will be used in research.

## **2 REGIONAL COMPETITIVENESS FACTORS**

The phenomenon of competition is evident not only in business. Competition is everywhere, it means that it occurs in many spheres of human life, e.g. in politics, culture, sports and the

development of regions ( provinces, counties , municipalities , etc . ). Generally it can be said that competitiveness is competition in the quest to achieve some goals. It occurs when the action of a person to obtain a property, stumbles on a similar action on the part of someone else. This definition is widely considered competition and introduces it in different areas of economic activity (e.g.: regions) . Rivalry is a positive development from the point of view of economy, as it affects a better use of scarce resources. Each party will try to be more active than its rivals (Lesniewski M.).

Competitiveness today is derived from the microeconomic sphere, but its activities include macro-economic aspects. A novelty in economic life is not, so much competitiveness of operators / services, or companies but, the competitiveness of regions, economies and entire continents. Understanding of competitiveness of the regions is reflected by the competitive enterprises. Both areas of competition are closely linked. Competitiveness in the field of regional development is understood to be from ability of the regions to adapt to changing conditions for the maintenance or improvement of the position in the ongoing competition between regions (Winiarski B.). In considering the issue of competition one should pay attention to the dimension of direct and indirect competition. The first dimension is in the form of competition for access to all kinds of benefits from the outside and attracting desirable investors. Indirect competition is expressed in the activities of regional authorities to improve the environment for enterprises operating in the regions, and influence this road to economic results achieved in these regions (Markowski T.).

In the literature on the subject, one can find such a large number of factors of regional development, it is impossible to mention all of them. The basic group of factors of regional competitiveness can be included in the group of factors exogenous (external) and endogenous (internal). Exogenous factors are associated with the process of globalization, political circumstances and risks associated with the state of the natural environment and resources or communication network. The group of endogenous factors should include the economic structure, development of a general research facilities, academia, the environment around business, the natural environment, free space for development, the income of the region, ability to attract private investment, ability to raise subsidies and grants, ability to compete between existing enterprises within the region as well as size of the workforce and makeup of the region. (Lesniewski M., s.92).

The demands of the modern economy force a new look at the traditional determinants of regional competitiveness. More specifically, the determinants of regional competitiveness can be presented in a set consisting of the following elements (Skate E.):

- Mineral resources , agricultural, forestry , and water,
- Labor resources,
- The capital , especially investment,
- Local and outside enterprises
- Development of transport and communication,
- The existing production capacity and service, especially industrial,
- Qualities of the natural environment,
- Modern production technology
- Local and outside market,
- Skills and willingness of local government,
- The size of the territorial unit in particular area of land available,



- The existence of social forces supporting the development,
- The possibility of obtaining grants, subsidies and incentives,
- International situation and cooperation.

Making a deeper analysis of the differences between traditional and contemporary point of view, the proposed role of selected determinants of regional competitiveness tell you that the changes are visible in four main areas: employment-based development, benefits of space and resources, knowledge (Blakley EJ). The traditional perspective on employment-pressure identifies regional competitiveness as more business means more jobs, a contemporary concept that companies that create new jobs adapt them to the qualifications of inhabitants. The traditional approach sees the development of regional competitiveness in existing sectors and comparative advantages based on physical assets, today the creation of new economic institutions as well as comparative advantages based on environmental quality. Also in these two approaches there are noticeable differences in the perception of the knowledge, the traditional approach focuses attention on the knowledge of existing human resources in achieving competitive advantage, while the modern approach, knowledge is a generator of socio- economic development.

Thus, by combining detailed set of determinants of regional competitiveness shown above traditional approach and today it can be stated that the skills and the willingness of local government in the perception of knowledge as a generator of socio - economic is a very important source for obtaining competitive advantage through the region. For these reasons, persons who are associated with local government units must pay particular attention to the importance of using knowledge to improve the organization.

### **3 THE ROLE OF LOCAL GOVERNMENT UNITS IN KNOWLEDGE MANAGEMENT**

As mentioned earlier, knowledge is a source of obtaining a competitive advantage. For these reasons, it is worth to take a closer look at how knowledge is defined and how it manages. Keep in mind that it should be used by all persons having impact on the local government.

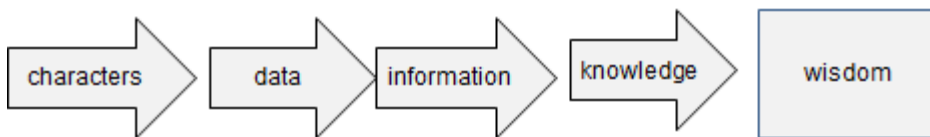
The local government unit is a local or regional self-governing community. The main task is to implement local municipalities, certain statutory public affairs and also those not transferred by any entity Act. Public tasks carried out in the district are over municipal and relate in particular to social and technical infrastructure and public order and safety. The scope of the regional government does not affect the independence of the county and municipalities, the provincial government because authorities are not against the district and commune authorities supervision or control and which are not bodies of a higher degree in administrative proceedings. Self-government of the province deals with issues on a regional scale, unregistered on the central government authorities. However, how local governments operate in a very large extent depends on the ability and willingness of managing local governments (municipalities).

As mentioned earlier, knowledge is the source for obtaining competitive advantage. For these reasons, it is worth a closer look at how science is defined and managed however it should be remembered that it should be used by all persons having impact on how the local government operates.

Knowledge as a resource of the organization has a special character. On the one hand, it is accumulated by organizations on the other hand, these organizations are not able to spontaneously generate it and do so, thanks to the people who are their members. Today, organizations treat employees as a strategic resource in which you should invest. A common

feature of the organization is to base their operations on the reservoir of knowledge, and can therefore be described as organizations of knowledge. And as such they should also be referred to municipal offices and county offices.

Organizations need to understand that there is a new type of society based on knowledge, having the ability to acquire, understand the curriculum, creating new values. The concept of knowledge management is a very common term such as data, information, knowledge and thinking (Grudzewski W.). Knowledge as a resource is an organized collection of information with their interpretation of the rules. In other words, knowledge is general knowledge and skills possessed by the unit. It includes a theoretical and practical, general principles and detailed guidelines of conduct. Note, however, that the information consists of processed data, messages that change our consciousness. On the other hand, the data forming the information are formed by the characters received from the environment. The structure of the relationships between the characters, data, information, knowledge and wisdom shown in Figure 1. (Gorzelany-Dziadkowiec M., Gorzelany – Plesińska J.).



**Figure 1.** The hierarchy of knowledge.

Knowledge of the organization is its intellectual asset. Knowledge is the skillful use of the information combined with the intellect, gives wisdom. In this perspective, the wisdom is skillful ability to take advantage of available data.

It should be noted that knowledge management is in correlation with the information - knowledge is, in fact, making full use of information in practice. Knowledge management contains organizational processes that requires interaction data and processing information, which provide information technology and the creative and innovative people. It is also a system designed to help businesses acquire, analyze, use (re-use) of knowledge in order to make faster, smarter and better decisions, so they can achieve a competitive advantage. It promotes a comprehensive approach to creating, sharing and use of all enterprise information assets, including the development, establishment and maintenance-right application of technical and organizational infrastructure that enables the sharing of knowledge. An additional element is choosing the right technologies and suppliers which would enable the creation of these infrastructures.

The knowledge for the enterprise is generally theoretical and practical knowledge and skills that it can usefully employ in their business. The totality of knowledge, which has an organization is defined by its resource (capital) knowledge or intellectual potential (capital asset). To the intellectual potential of the company to be saved and objectified knowledge (in the form of prototypes, pattern choice) and employees, who are able to create, enlarge and improve knowledge. The company most needed knowledge is located in three areas: technical expertise, knowledge of economic and knowledge and socio - psychological knowledge. (Gorzelany – Dziadkowiec M., 2008).

Referring technical knowledge to local governments it is related mainly use information systems, technology in developing information and communication systems, knowledge of e-services. Increase knowledge in this area is necessary because we are dealing with a huge technological progress. Technical knowledge is very much needed to management as stewards, municipalities are obliged to implement the strategy of informatization of the state.

For these reasons, in addition to knowledge about the technology the stewards and the people working in offices must acquire knowledge on access to the Internet in their municipalities and social or digital exclusion. It should be remembered, that the same technology is an investment for the material, but people's knowledge is all you need to make technology result in what we expect, so you should provide people with information on modern technology, which effectively put into practice will result in success (Low, Kalafut). Referring to the area of economy knowledge, knowledge about the market should be acquired, among other things, ongoing transformation of the current and future competitors, as well as the importance of having knowledge of the capital market. For these reasons, local governments should acquire knowledge of the activities of other local government units, seeing in them what competitors will take on new challenges and thus perfected will be the activity of municipalities. Not without significance is the knowledge of the unemployment rate, start-ups, failing businesses, investors, the possibility of obtaining grants, subsidies. The next and final area is the socio-psychological knowledge, which means understanding changes in consumption attitudes of citizens, users and consumers of services, and the development of beneficial relationships with enterprises and other institutions and social relations within the organization. This area is very important because you must remember that knowledge is your ticket to success. Today, it is no longer enough, for organizations including the municipality, to have access to just raw materials, finance and the equipment, but it requires knowledge, especially knowledge of workforce, knowledge contained in their mind, that comes from experience, training and talents. Thus, in this dimension it is very important that people's psychological approach to knowledge resources, whether we see it as a resource to be shared, or exchange information in an organization, whether people feel the need to acquire and share knowledge. The process of knowledge in organizations, including the local government requires the implementation of three attitudes (Haraf A., Wojcik M.):

- Based on their own experiences and experiments - sets out who is the creator and who the recipient of knowledge,
- Acquiring knowledge from the outside – that is learning from market leaders and through comparing and improving someone's solutions
- Acquiring knowledge from within and outside the organization - knowledge flows between employees and external environment.

Functions and instruments of knowledge management system cover three areas: management of intellectual potential of the employees, management expertise and support of informatics, knowledge management. Acquired knowledge possessed by employees is a result of training, workshops, conferences or training sessions. To manage knowledge, it must be identified, collected, analyzed or shared, and here it is very helpful information to support the process of knowledge management through software, databases, servers, or networks of computers. Information systems help to search, collect and store interesting information. What method of knowledge management is used it depends on how management system is adopted in the organization. The more intermediate levels (there are a lot of offices), the bigger loss in the transfer of knowledge, because there may be loss associated with a form of knowledge and understanding them. Explicit knowledge and open is presented using various models such as decision tables, instructions, decision trees they can reduce strain knowledge in the relay-solving. Every employee is empowered to use this kind of knowledge. It is different when we are dealing with the knowledge hidden or unknown. In this case it can be stated that the more complex the structure, the greater the reluctance of individual members of the organization to share knowledge and pass it on to others. Very important element of knowledge management is organizational culture and understanding, support from management, appropriate incentive

schemes and the development of mutual relations among the employees and the elements organizations need to take care of. Because the offices structure is formalized, there is a large number of management levels it is a

+very important aspect is to encourage employees to share knowledge. Very often it happens that in the course of this process there are obstacles and barriers such as: competition between employees, competition between departments, the belief that knowledge is power failure organizational structure. (Haraf A., WojcikM.)

#### 4 KNOWLEDGE MANAGEMENT IN LOCAL GOVERNMENT (MYŚLENICE, MICHAŁOWICE MUNICIPALITIES)

In order to accomplish the purpose of this article the study was conducted in two communes: Michałowice and Myslenice. For the purpose of the study a questionnaire was designed with five- degrees Likert scale. The questionnaire was constructed based on the analysis of literature. The respondents were managers of municipalities and employees of the offices. Replies of those who are in leadership positions do not differ from the answers given by the employees. Of these reasons, the answers were placed collectively in tables. Because the difference in the answers given by the people involved and the municipality Myslenice and Michalowice test results in percentages of answers are presented in two tables. In the questionnaire response in turn meant: Individual replies as follows: 1 - completely disagree that the statement / completely absent, 2 - disagree minimal / there is minimal, 3 - partially agree and partially disagree / partially present, partly absent, 4 - agree with the statement / occurs 5 - completely agree with the statement / there is a very high degree.

**Table 1.** Knowledge management in the Municipality of Michałowice.

Areas of expertise	Grading scale				
	1	2	3	4	5
Knowledge management affects the competitiveness of regional.	-	-	-	100%	-
Is known to you / u knowledge management	-	-	50%	50%	-
Technical insight:	-	-	-	75%	25%
Whether in the office uses modern technologies to transmission of information (information systems)	-	-	25%	50%	25%
Are creates information and communication systems	-	-	-	50%	50%
Are there e-services	-	-	-	50%	50%
Is there any exchange of information on e-services	-	25%	25%	25%	25%
Is producing knowledge about technological innovations	-	-	50%	25%	25%
Are other municipalities are analyzed in terms of used technologies	-	-	-	100%	-
Are staff trained in the use of new technologies	-	-	-	100%	-
Knowledge Economy:	-	-	-	100%	-
Is the exchange of information with people and institutions is smooth (RMS)	-	-	75%	25%	-
Does the organization have knowledge of the economic indicators in the region	-	25%	50%	25%	-
Is the use of knowledge concerning the economic indicators affect the competitiveness of the region	-	-	50%	50%	-
Does the organization have knowledge of the preferences of citizens and investors, and if he knows their needs	-	-	50%	-	50%
Does the organization have knowledge of the creation of new enterprises	-	25%	50%	-	25%

Areas of expertise	Grading scale				
	1	2	3	4	5
Does the organization have knowledge of the amount of business failure	-	25%	75%	-	-
Does the organization have knowledge of the initial and investors	-	-	-	25%	75%
Is your organization uses or has used the grants or subsidies	-	-	-	75%	25%
Socio - psychological knowledge:					
Do you see / and knowledge :					
• As a valuable resource organization	-	-	-	75%	25%
• As a resource to be shared	-	-	25%	75%	-
• As a resource that you have to continually raise	-	-	-	50%	50%
Do you like you / and shares his knowledge	-	-	25%	50%	25%
Does management supports the process of knowledge management (collection , processing and storage of knowledge)	-	-	-	75%	25%
Are there incentives in the organization to share knowledge	-	-	75%	25%	-
Is competition between workers blocking the transfer of knowledge	-	25%	50%	-	25%
Is competition between departments blocks the transfer of knowledge	-	25%	50%	-	25%
Is knowledge is exchanged between employees, management and the external environment without any barriers	-	-	50%	25%	25%

**Table 2.** Knowledge management in the Municipality of Myslenice.

Areas of expertise	Grading scale				
	1	2	3	4	5
Knowledge management affects the competitiveness of regional.	-	-	30%	70%	-
Is known to you / u knowledge management	-	10%	60%	30%	-
Technical insight:	-	-	60%	40%	-
Whether in the office uses modern technologies to transmission of information (information systems)	-	10%	70%	20%	-
Are creates information and communication systems	-	10%	60%	20%	10%
Are there e-services	-	30%	40%	30%	-
Is there any exchange of information on e-services	-	40%	50%	10%	-
Is producing knowledge about technological innovations	-	70%	30%	-	-
Are other municipalities are analyzed in terms of used technologies	-	70%	30%	-	-
Are staff trained in the use of new technologies	-	50%	50%	-	-
Knowledge Economy:	-	30%	30%	30%	10%
Is the exchange of information with people and institutions is smooth (RMS)	-	30%	20%	50%	-
Does the organization have knowledge of the economic indicators in the region	-	20%	60%	20%	-
Is the use of knowledge concerning the economic indicators affect the competitiveness of the region	-	10%	10%	40%	40%
Does the organization have knowledge of the preferences of citizens and investors, and if he knows their needs	-	30%	30%	10%	30%
Does the organization have knowledge of the creation of new enterprises	-	30%	30%	10%	30%

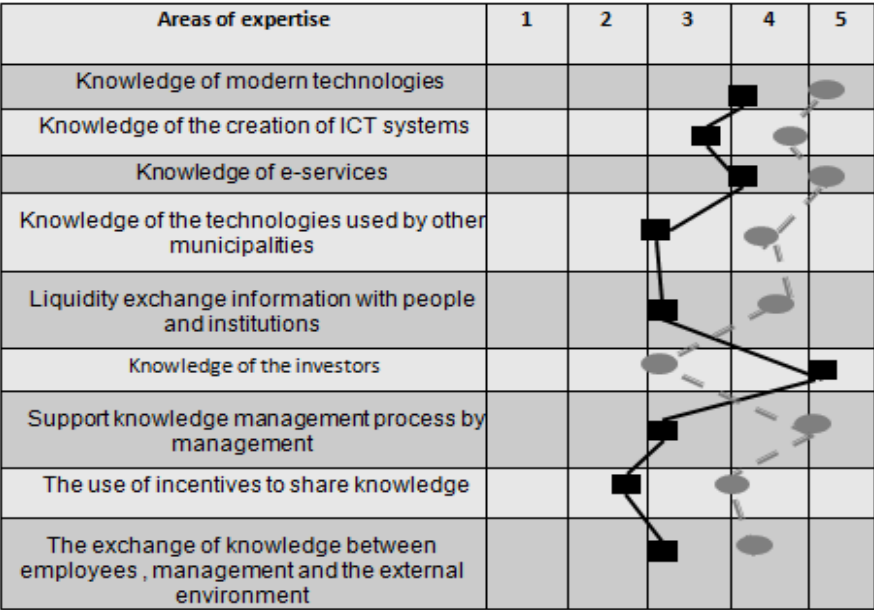
Areas of expertise	Grading scale				
	1	2	3	4	5
Does the organization have knowledge of the amount of business failure	-	10%	20%	30%	40%
Does the organization have knowledge of the initial and investors	-	-	-	50%	50%
Is your organization uses or has used the grants or subsidies	-	10%	-	60%	30%
Socio - psychological knowledge:					
Do you see / and knowledge :					
• As a valuable resource organization	-	-	-	30%	70%
• As a resource that you have to be shared	-	-	-	80%	20%
• As a resource that you have to continually raise	-	-	-	50%	50%
Do you like you / and shares his knowledge	-	-	20%	60%	20%
Does management supports the process of knowledge management (collection , processing and storage of knowledge)	-	20%	80%	-	-
Are there incentives in the organization to share knowledge	-	70%	30%	-	-
Is competition between workers blocking the transfer of knowledge	-	40%	40%	20%	-
Is competition between departments blocks the transfer of knowledge	-	40%	50%	10%	-
Is knowledge is exchanged between employees , management and the external environment without any barriers	10%	40%	40%	10%	-

When analyzing the summary presented in Tables 1 and 2 it can be stated that the municipality Michałowice knowledge management is more evident than in the Myślenice. However, in selected areas respondents from both municipalities gave similar responses. Based on the survey it can be stated that knowledge management greatly affects the competitiveness of the region, 80% of the respondents answered that they have influence. When it comes to knowledge of the very concept and essence of knowledge management respondents of both municipalities are partially familiar with this concept, and partly not. Consequently, municipalities and managers working in offices should be educated on how to govern knowledge. Another area in which the two municipalities should make changes is in the area of how to acquire knowledge on new technologies in this area, 50% respondents answered that partially acquires knowledge in this area and partly not, 30% said that not producing knowledge in this area and 20% stated, that they have knowledge in this area. In the analyzed municipalities respondents confirmed, that they do not have sufficient knowledge or have partial knowledge of the economic indicators. It is interesting that respondents from the municipality Michałowice found that economic indicators do not affect the competitiveness of the region, which is not consistent with the facts. Economic indicators have an impact on regional competitiveness, therefore the municipalities should focus attention on these indicators because their analysis may allow for some conclusions that will improve the competitive edge of municipality.

Another area on which both analyzed municipalities should pay attention to is to have knowledge on the preferences of residents, investors and should know their needs. If the analysis will undergo an area of knowledge regarding the creation of new businesses and existing ones are falling answers are spread evenly over the entire scale. This may be due to the fact that the respondents work in different departments and therefore there is a variety of responses. The strength of both analyzed communes is knowledge of the use of the grant or subsidy. In this case, respondents in both communities stated, that they have used or greatly benefited from subsidies and grants and that to a large extent have knowledge concerning the possibility of obtaining funds. In the area of socio - psychological knowledge, respondents in

both communities responded similarly and so knowledge as a valuable resource for organizations which need to constantly acquire and to be shared (rated 100 % of respondents). When it comes to sharing knowledge itself is no problem with that examined people willing to share their knowledge, only 20% of respondents answered that they partly share their knowledge. Studies have also shown that there is a partial competition between departments and employees that blocks the transfer of knowledge so answered about 40 % of the respondents in both communities, about 40 % answered that there is no competition, while 20% of respondents' competition blocking the transfer of knowledge rated as occurring or largely common problem in the organization. The above analysis showed that there are areas in which both analyzed municipalities gain and use knowledge to a similar extent. These areas where knowledge is sourced or acquired to a large extent give municipalities a competitive advantage. The area in which the two municipalities should pay attention and to a greater extent, to acquire knowledge is the economy knowledge, the study found large gaps in both municipalities in economy knowledge.

As stated above, greater knowledge is used in the municipality of Michałowice than in Myślenice. It has to do with large differences in the use of knowledge in the areas - taken by both communities. Summary of differences in the knowledge abstracted and used in both analyzed municipalities are shown in Figure 2.



**Figure 2.** Selected areas of comparative analysis of the use of knowledge by communities.

When analyzing the statement shown in Figure 2, it can be said, that the Michałowice in most areas of knowledge is used to a greater extent than in the municipality of Myslenice. Only the knowledge of investors in the municipality Myślenice was rated by respondents as owned or possessed a very large extent, while in the commune Michałowice only partially above mentioned knowledge is possessed. This may be due to the fact that the municipality Myślenice is greater than the commune Michałowice and has also more investors. However, it should be

noted that a large number of investors is not so good for regional competitiveness. The more commercial investments (chain stores), the more indigenous entrepreneurship is killed. In the municipality Myślenice, a number of large companies with a network chain is what caused the disappearance of the commercial establishment and closure of production facilities, which does not affect the economic side in a manner beneficial to regional competitiveness. The large difference occurs in the area of technological expertise, the municipality Myślenice uses only partially modern technologies, e-services and have knowledge of the technology used by competitors. A study conducted in 2012 showed that the use of modern technology in the municipality of Myślenice is low (Gorzelany – Dziadkowiec M., Gorzelany-Plesińska J.), we can conclude that in this area in the Municipality Myślenice nothing has changed. Areas requiring greater use of knowledge in the municipality Myślenice is the inclusion of the management in the process of knowledge management and exchange of knowledge between employees, management and the external environment.

It is worth noting that the differences between the two municipalities in the use of knowledge may result from the cultural specificity of local governments. Organizational culture by E.H. Schein is a pattern of shared basic assumptions that the group has developed in the process of solving the problems of its adaptation to the environment. Culture of local governments is characterized by high competence of employees, responsibility, integrity, innovation and a sense of social service. However, the specifics of local culture is dominated by hierarchical culture and the culture of power, which limits officials. It is worth noting that investigated municipalities: Michałowice and Myślenice are characterized by a cultural difference. The cultural difference may have an impact on knowledge management in the surveyed organizations. The culture is more open the more it developed knowledge management and vice versa, the culture is more hierarchical based on the power of the more locked building knowledge-based organization (learning). Research carried out in 2014. (Gorzelany-Plesińska J.) showed that in the municipality of Michałowice are two types of culture strongly accented: a coherent culture type clan and rational type of hierarchical culture. It follows that the test municipality is an organization focused on internal matters, flexible, deeply concerned with people and sensitive to the cus-shapes, while at the same time strongly developed the need for stability and control (these features are characteristic features of a learning organization, so you can bet here the conclusion that Michałowice is more receptive knowledge than other municipalities). Municipality of Myslenice is characterized by a culture dominated by a quarter hierarchy. Organizations of this culture are formalized and hierarchical. People work according to established norms, rules, procedures and laws. This is not surprising, because the image fits the stereotype of an efficient, stable and well-controlled institution. Such stereotyping of managing blocks the ability to change, innovation, and thus openness to knowledge.

## **5 ACKNOWLEDGEMENTS**

Studies have shown that knowledge management has a significant impact on regional competitiveness. In the commune Michałowice knowledge is used to a greater extent than in the Myślenice. However, both communities are in areas requiring change and refine (primarily an area of economic knowledge). Research has showed that in the socio - psychological area, employees are made aware of how knowledge is important for improving competitiveness, recognized it as a precious resource, that must constantly acquired and to be shared only thing



that does not receive adequate support from managers at to understand the importance of sharing knowledge.

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# ***Transformational Leadership According to Competitiveness of Small Enterprises***

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## **ABSTRACT**

Modern companies have to be innovative and flexible. The guarantee of their success is the permanent development. Leadership is an area, which in a very large extent determines the development of the organization. Leadership should be seen as a source of sustainable competitive advantage. The problem of leadership in organizations is one of the most important issues discussed in modern science of organization and management. Description of the concept of leadership still seems incomplete and leaves a lot of room for further interpretations, opens the possibility of building new theories and models. Leadership may be one of the most important building blocks for the success of the organization. Effective leaders often can prepare organizations for the next challenges of the environment, bring them to life, revive or create a completely new entities. For these reasons, the aim of this article is to identify the essence of leadership and transformational leadership as a source of competitive advantage. The study was conducted among small businesses. The study used a questionnaire with a five-point Likert scale. Studies have shown that in the analyzed companies there is the leadership of the transaction and transition of the managers towards transformational leadership. It requires a change in decision-making process, use of knowledge and team building.

In a business environment, where the expectations of stakeholders are enormous, and resources are limited, more and more challenges appear before the management staff. Managers need to involve all employees in the organization, so the organization can be successful. They change their role, their tasks and in an era of rapid changes they need to modify their behavior. We can observe in the organizations increasing crisis of leadership, which is reflected in the opinion of the majority of subordinates, who perceive their supervisors as strong leaders with leadership qualities. Description of the concept of leadership and the phenomenon of this occurrence still seems incomplete, still leaves a lot of room for further interpretations. It opens the possibility of building new theories and models. Organizations do not see the source of competitive advantage, which lies precisely in leadership. For these reasons, considerations in this article started with the identification and indication of the essence of leadership as a source of competitive advantage. The aim of the study was to show that the use of a change in leadership determine the development of the organization. Following main hypothesis was erected: leadership is a source of obtaining a competitive advantage by organizations. This hypothesis was verified by analyzing the literature, both domestic and foreign. The conclusion of the theoretical part is that in an era of rapid change, managers perceived as transactionally heads should move towards transformational partners. Selected for the small and medium-sized enterprises as a driving force of the economy. The research was used for the diagnosis of the SME sector in terms of leadership. To achieve the objective of the research a questionnaire with a five-point Likert scale was used. Studies have shown that in the analyzed companies is transactional leadership. The surveyed companies do not keep up with changes in the environment and do not use leadership as a potential determinant of competitiveness. Research added value: recommendations for the owners of small and medium-sized enterprises.

## **1 INTRODUCTION**

Modern companies, in order to survive and even thrive must be flexible and innovative. Managers of modern enterprises by using bureaucratic management methods must follow the

direction of leadership. Very often the "leadership" and "management" are treated synonymously. Pay attention to the fact that these concepts are not the same. Leadership is the ability to lead the organization into the future, consists in seeking new opportunities that emerge faster and faster and you should take advantage of the best ones. Leadership refers to the vision, the people who realize this vision, empowering others, and above all, initiating positive change. Leadership is not based on the attributes but on specific behaviors. In a rapidly changing environment, leadership is increasingly sought after and expected it from a growing number of people, no matter what place in the hierarchy.

Twenty -five years ago, J. Gabarro and J. Kotler proposed a completely new look at the relationship between a manager and a subordinate, paying attention to the interdependence of partners in these relationships. For these very reasons, managers should strive towards leadership transformation, which is characterized by the fact that the leader motivates subordinates to do more than initially intended, awakens a sense of the value and importance of their tasks, they realize that to go beyond self-interest for the benefit of the team, organization or society, points to the need to raise to a higher level of their own needs, e.g. . Self-realization. Such a leader can be effective only when they use their own vision and energy to inspire subordinates. Transformational leader is able to revolutionize the company breathe in her refreshing spirit, adapt the company to the environment, be faster than competitors.

The aim of this study was to identify what transformational leadership is and an indication that transformational leadership can gain a competitive advantage. In the article, the authors attempt to prove and comprehend the research hypothesis that transformational leadership is a source of competitive advantage. The study was conducted among small businesses.

## **2 LEADERSHIP AS A SOURCE OF COMPETITIVE ADVANTAGE OF ORGANISATION**

Management has become something so familiar and ubiquitous in our lives, both as an object of research, and the profession. (Drucker, P.). People managing organizations are constantly looking for new solutions, they try to find an answer to the question why some companies succeed and others do not, despite that they operate in the same environment. Answers to this question are looking at the issues concerning the competitiveness of the organization. Competitiveness is understood as the ability to acquire - through high quality products - first place in the customer feedback (G. Hamel , Prahalad CK) Another definition of competitiveness as the ability to recognize the achievement of the leading position in the industry, the ability to resist competition (Gorzelany - Dziadkowiec M ). Competition is perceived as a source of growth in organizations and individuals, and as a success factor dependent on the economic and cultural conditions of the country, which can cause completely different approach (Penc J.).

In the era of globalization, any business that wants to grow must know their competitors and thoroughly analyze the environment.

Often managers in organizations in the efficient marketing activities, in modern management tools, programs such as Six Sigma ( Palmer RE), or the transfer of knowledge and diffusion of innovation (Firle K., Viper D) see the source of competitive advantage. They believe that these are the key factors influencing the results of the organization. Definitely it is so. All these areas are very important if an organization wants to improve its competitive position, but it should be noted that the quality of leadership distinguishes organizations that are successful and those who suffer defeat.

Speaking of leadership it should be emphasized that the management is not leadership. Management is the totality of actions for the organization to achieve the objectives in an

efficient and effective way.(Machaczka J.) . Managing people is to get people to do the right things, and leadership in causing that people also want to do these things.

Management is the art of performing tasks using administrative skills - organizing, planning and implementing. Leadership contains in itself all that, but at the same time it is more incentive, more visionary, requires much more than the leaders of their personality than from managers. In other words, management is administration and leadership is vision, strategy and motivation. For these reasons, management requires other attributes than leadership (Palmer R. E., p.36). Leadership is an integral part of the management, not its substitute. The leader creates a vision and strategy to achieve this objective, the manager uses the different skills in working toward a vision. Understanding leadership is looking at them from the perspective of community and mutual dependence. The leader refers to the other, not standing on the side, he/ she is in contact and shows a positive attitude. Organizations need both to function effectively management and leadership. Leadership is a necessary condition for change, and management is a prerequisite for obtaining systematic results. Management, in conjunction with the leadership can produce systematic changes, leadership in conjunction with management allows you to maintain an appropriate level of compliance components of organization with its environment (Prime Minister).

Grace Hooper specialist in management matters and the first female admiral in the US Navy, stated that you manage things, while you lead people. That it is a fact, becomes a reality for growing number of people holding managerial positions, as the employees in the organizations they are in charge of are opposed to being managed, while seeking guidance, goals and values that they deem worthy of attention. Speaking of leadership, many people start to remember the personality, who are or were considered to be great leaders (Lipińska - Dam A.).

With the development of sociology, political science, social psychology, and the science of organization and management. Changes in perceptions of management and leadership were forced by the changing environment, the increasingly difficult conditions for businesses, by emerging new challenges appeared before the management staff. In the literature one can find many definitions of leadership some are oriented to the concept of power, other definitions combine leadership with the objectives of the organization, define leadership consecutive shots people or task oriented. Due to the multitude of definitions of leadership it is hard to choose one definition as a leading cause such a choice was related to the consent to certain limitations, inconsistencies and contradictions. For these reasons, the lead should be seen in a variety of contexts, which are listed in Table 1.

**Table 1.** Contexts of leadership and its characteristics.

context of leadership	leadership qualities
Organizations based on orders and control	strongly hierarchical culture and structure, leadership style must include at least a small amount of delegating tasks and responsibilities;
A partnership of equals skills	diplomatic partners have expectations that play an important role in the organization, open communication, style of behavior convincing partners;
Vibrant Entrepreneurial Organization	clear communication of ideas and thoughts, expressing directly and unambiguously, openness to creativity and ideas of all members of the organization;
Nonprofits Social	dependence funders seeking funds for activities, dependence on volunteers, the ability to inoculate volunteer work;
The military leadership	The military leadership based on orders and control;
Organizations in crisis	short time of decision-making, monitoring, direct communication

Own study based on Palmer RE, 2013, pp. 42-79.

When analyzing the breakdown in Table 1, it can be stated that there is a need to dynamically change the type of leadership depending on what are the objectives to be achieved, the challenges facing the organization are; in which stage of development is the organization and in which environment does it works. In considering the issue of leadership, one should pay attention to two main attributes: charisma and vision. Charisma is often considered to be an essential feature for a leader so he/ she could lead others, so he could infect them with his vision. The concept of charisma has been thought of for many years. The largest contribution in this area was Max Weber that special attention in their studies led to the charismatic leadership. The same charisma Max Weber defined as a personality trait unit, which makes this unit is perceived by others as a personality unique and is treated as if it were endowed with supernatural force. Charisma is something that attracts people. It's like magnesium, which makes others want us to stay (Jamroz L.).

Charismatic leaders have the power to relate at a heightened level. Their employees identify with them, the leaders are to them unrivaled role models. The leaders also have a need to impact other people. They show their followers vision, which sets sights high, which captures their commitment and energy.

The concept of creative development of the idea of charismatic leadership was created by J. Burns (Burns, J.). He distinguished two different types of transactional and transformational leadership. Transactional leadership is defined as a process in which leaders and their supporters help each other to move to a higher level of motivation. The author of this concept highlights the difficulty in differentiating management and leadership (as mentioned earlier) and argues that there are significant differences in the characteristics and behaviors. Transformational leadership is, however, associated with a significant change in the lives of people and organizations, change of views, values, expectations and aspirations of employees. According to J. Burns transactional and transformational leadership varies depending on the

attitude of the person managing to meet the needs of lower or higher rank. The level of transactional leadership meets the needs of lower order, and transformational leadership is based on meeting the needs of a higher order, based on fulfillment of all the members of the organization benefiting from the aid of leaders who are morally designed to work to benefit the unit, organization, or the community. Transactional leaders usually do not aspire to a cultural change in the organization, but they operate in the existing culture, while transformational leader attempt to change the organizational culture. Transformational leadership is based on the influence of charisma, inspirational motivation, intellectual stimulation and individualized approach (Burns, J.).

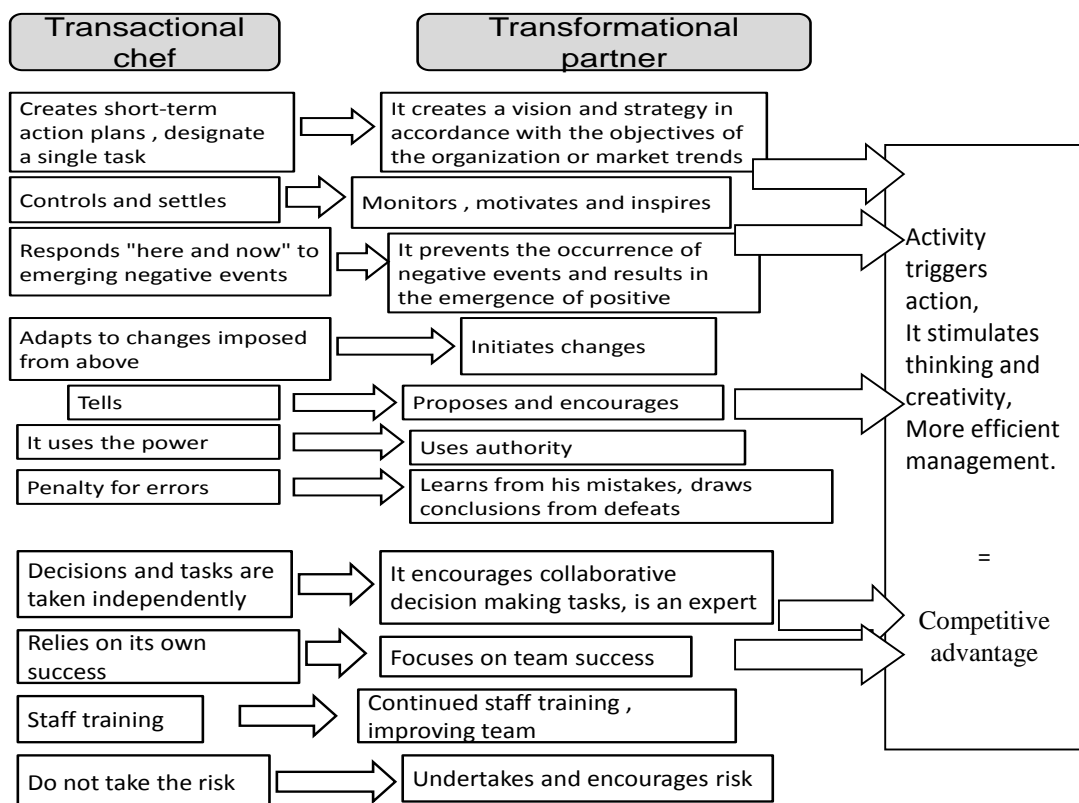
In this approach, organizations wishing to gain a competitive advantage should see transformational leadership as a source of competitive advantage.

### **3 MANAGER VERSUS LEADER: TRANSACTIONAL CHIEF OR TRANSFORMATIONAL PARTNER**

Along with the evolution of leadership in organizations so is changing, the role of the manager. Currently, the significance of difference between the role of manager and leader must be stressed. Manager is seen as a transactional boss who is plans, analyses cost, organizes, protects personnel, controls, solves problems, but does not involve people. He doesn't trigger enthusiasm for action. For these reasons, managers in organizations should move towards leaders - transformational partners. The process of becoming a leader is a hard but rewarding journey, continuous learning and self-development (Hill L.A, p.8). Transformational leadership, following in the partnership is the best way for team integration (Łopaciński W.). Transformational leader is the captain, not a plan-but he/she shows the direction of action and vision. His/her job is to motivate to performance and to work creatively. The leader inclines others to act, thus in the organization, plays the role to inspire and engage. The main task of a leader is to define courses of action, and even if the direction is already defined by the organization itself, leader re-defines the course of action in such a way that the vision has become his own vision in line with individual objectives and values. Transformational leader, therefore, makes sense, explains the goals at all levels so that people get involved in their implementation. Consequently, the leader must skillfully communicate with employees as leadership concerns human at a much deeper level than the formal role manager.

The transformational leadership attention concentrates on the ability to change, poisoning to engage supporters and creating relationships that result in achieving greater motivation and development of morality. The leader transforms and motivates them to increase their awareness of the importance of their tasks and to inspire them to go beyond their own interests, and focus on the groups and organizations by acting on their higher needs (Burns, J.).

The transformational leadership interrelationships between leaders and followers elevate them to higher levels of motivation and morality. The objectives, at the beginning, are related, but separate, then they fuse with each other. The authority supports the common objective. It is a dynamic leadership based on the commitment of both sides. The leader has a vision, inspiration and works. He/she achieves it by using the transaction managers to effectively manage cultural change, so that the organization can adapt to the environment in which it operates. Transformational leader has eye-catching style and personality, characterized by large social skills, and individualized treatment of people, aptly reads the importance of other people's reactions and efficiently manipulates the impression conveyed to the other (Mrówka R., p.36). Summary of the characteristics of transactional chief and transformational partner along with the benefits offered by the transition from transactional chief to transformational partner summarized in Figure 1.



**Figure 1.** Features of transactional chief and transformational partner.  
Own study.

When analyzing the statement shown in Figure 1, it can be stated that in transformational leadership, leader often proves enthusiasm, passion, inspiration to stimulate the team to action. The leader uses techniques imagination and creative search for solutions to make changes. Taking into account the characteristics of a leader - a transformational partner tells you that the heart of leadership is to motivate employees. The value that comes from having a team of people who are not afraid to take a stand and to make the right decisions in their area of operation and believe that they can make the best possible decisions is simply immeasurable. This gives a great strength to the organization if its members will still have a positive attitude it is a guarantee of success (R.E. Palmer, p. 202) and it is the source of sustainable competitive advantage. The basic principles in creating the incentive system is first necessary to understand the needs and goals of individuals and groups that make up the organization, on the other hand you have to build faith in the future of the organization, thirdly need to involve employees in the planning process, you should personally communicate with the largest number of people in organizations, you must also remember to respect different opinions and listen carefully before deciding to build faith in people and team (R.E. Palmer, p. 203). When considering issues relating to the transformational leadership you also need to clearly specify that it requires to support people in their personal and professional development, regardless of their position in the organization. This support should be based on knowledge, observation and experience. The effectiveness of personal development is influenced by three

main factors: knowledge, which is what you need to know to be good in the field, skills or skilled use of knowledge in practical action, attitude on which particular attention should be paid, namely personal relationship and attitude to change each member of organization (R. Jasinski, p. 20).

#### 4 TRANSFORMATIONAL LEADERSHIP IN SMALL BUSINESSES - AN EMPIRICAL ANALYSIS

In order to accomplish the purpose of this article studies have been conducted in small companies selected at random. Surveyed were 30 small enterprises in the confectionery – bakery, catering, hairdressing and cosmetology. The study covered business owners and employees. The findings of the study are summarized in a single Table 2. The study used a questionnaire with a five- point Likert scale , where 1 quality research completely does not apply (or is absent), 2 - it refers to the minimal, 3- part relates part not 4- concerns, 5- relates to a very large extent.

**Table 2.** Leadership in small businesses - the results of empirical research.

Leadership qualities	Grading scale				
	1	2	3	4	5
The tasks are defined in detail and top-down	-	-	16,7%	72,2%	11%
There is strict control	-	11%	39%	39%	11%
Punishes workers for mistakes	5,5%	22,2%	72,2%	-	-
Leadership is prescriptive	11%	16,7%	33,3%	39%	-
Persons managing power use	16,7%	22,2%	50%	5,5%	5,5%
Decisions are made independently by managers	5,5%	5,5%	44,5%	44,5	-
The risk is not taken	16,7%	22,2%	44,5%	16,7%	-
The objectives are defined jointly , employees take part in formulating strategy	-	16,7%	61%	22,2%	-
<b>Management:</b>					
Monitors , motivates and inspires	-	5,5%	27,8%	55,5%	11%
Initiates	-	-	33,3%	61%	5,5%
It does not appear commands , but suggests and encourages	-	16,7%	44,4%	33,3%	5,5%
uses authority	5,5%	11%	61%	22,2%	-
He learns from mistakes	5,5%	16,7%	50%	27,8%	-
Does not punish employees for mistakes	-	16,7%	55,5%	22,2%	5,5%
Decisions are made collectively	-	11%	61%	16,7%	5,5%
Focuses on team success	-	5,5%	22,2%	55,5%	16,7%
He cares about improving the team	-	-	44,4%	39%	16,7%
takes risks	5,5%	11%	11%	67%	5,5%
It supports employees in their personal development	-	16,7%	22,2%	50%	11%
<b>Employees:</b>					
They are aware of improvement	-	5,5%	27,8%	44,4%	22,2%
They are open to change	-	5,5%	22,2%	55,5%	16,7%
The organization is based on the knowledge resources	-	-	27,8%	55,5%	16,7%

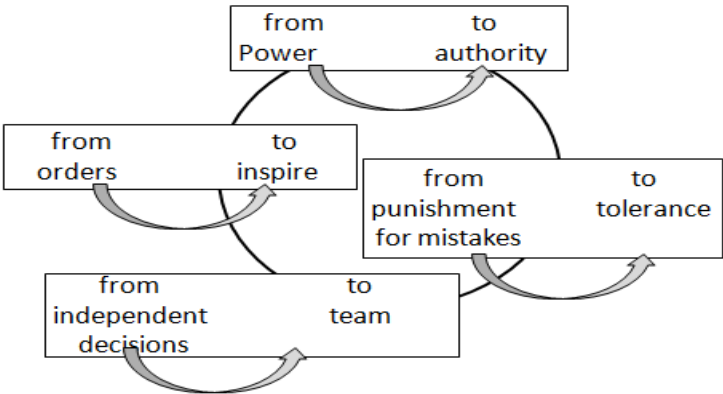
Own study.



When analyzing the statement it can be stated that the surveyed enterprises leadership is transactional and managers are very slowly moving towards transformational leaders. In the surveyed enterprises tasks shall be defined in detail and top-down (83% of respondents), there is strict control (50% of respondents, while 39% of respondents identified that partly there is strict control). It is an alarming statement, that there is penalty for errors (answered nearly 73% of respondents). The respondents have also determined that to a large extent, that leadership is prescriptive (39%) and 33% identified that leadership is partly prescriptive, about 60% of respondents identified that the leadership partly uses power, decisions are taken by the leadership (44.5%), while the other 44.5% of the partially so). The targets are partly determined jointly. When analyzing the characteristics of the behavior of managers leaders it should be noted that the partial features of such managers in the surveyed enterprises occurs. However, their occurrence is a partial, anyway: encouraging action, basing on the authority, learning from mistakes, punish mistakes, taking risks, taking care of the improvement team, these features were assessed by nearly 50% or above 50% of respondents. It should be noted that there is dependence and logical thinking in responses, e.g.: leadership is prescriptive resulting in only partial use of authority, and to a large extent build on the use of power by those in charge. In the surveyed enterprises in the heads are visible qualities of leadership transformation, such as putting on a successful team (yes answered more than 70% of respondents), risk-taking (as answered more than 70% of respondents), supporting employees in their personal development (so answered 61% respondents).

In the analyzed companies, employees: are aware of improvement (so answered nearly 70 % of respondents, while nearly 30% answered that partly), are open to change (yes answered nearly 75 % of respondents while almost 20 % said that partly). The use of the knowledge in leadership has been assessed weaker in the surveyed organizations, analyzing this area 28 % of respondents answered that the organization is partly based on the resources of knowledge, 55%, that is based, while 17 % answered that to a very large extent the organization is based on the knowledge resources.

Using the above analysis it is clear that the surveyed enterprises appear to follow in the direction of transformational leadership but nevertheless there is a need to make changes in this area. Suggestions and recommendations for the analyzed companies are shown in Figure 2.



**Figure 2.** Suggestions and recommendations for the analyzed companies.  
Own study.

Analyzing the results of research, it has been proposed that in the analyzed companies area of leadership needs to be amended. It should be noted that the leadership of the surveyed enterprises is the first stage of leadership development. This level chases by reliance on the authority, issuing the command, control, defining the purpose of strictly top-down. This paradigm definitely needs to change. The recommendations of the Figure 2 illustrated modification activities in the examined company. It's easy to tell from the power to authority, from orders to inspire, from self-brave decision to team, from punishment for errors to tolerance. It can occur, at this point the question is how to do it? Long-term factor (instruments) which can be used repeatedly and used in small enterprises to enter the desired leadership styles can be training. With training managers will be gaining authorizations-experienced knowledge of leadership and teamwork. An interesting and worth recommending is a program of The Leadership Pipeline (applied and used by medium and large organizations), which is addressed to different groups of leaders and aims to provide standardized common approach to the different levels of leadership in the organization [Modjeska I.]. The barrier to the implementation of this solution by small companies may be financial aspects and specifics of small businesses (solutions of large enterprises are being implemented with great delay in small businesses), but it would be an effective instrument for leadership development. In the medium-term determinants of leadership, development should take advantage of structuring the work, which includes the creation and modification of existing structures work. Structuring work will build cooperation and teamwork through the development of trust, openness and empathy in creating relationships. However, to go from the first level of leadership, where people follow the manager because they have to, we should focus on current activity. The starting point to move to a higher level of leadership (relationship building, staff development, referencing the authority) persons who are managers must begin the process of personal transformation. Managers' journey in leadership should start with an assessment of each other, from realizing their strengths and weaknesses, its impact on people with the consequences and they should get to know their potential. Starting from each other, in the next stage, managers' follow in the direction of leaders,

Start building professional relationships with people. This may occur through open communication in the team and quick decision making. The second stage in the development of leadership characterized by cooperation in the team and that people follow the guidance of their own accord, willingly. Such measures would help to build the authority of the time. People in the organization will appreciate a manager for who they are and their work will be more efficient and effective. In conclusion, the most important finding of the study is a reflection and recommendation for small business owners that they begin to transform the organization from personal transformation.

## **5 SUMMARY**

As it is clear from the analyzed organizations, management needs to acknowledge potential areas of change in their behavior. To a lesser extent, they should use the power and leadership based on authority, which is built over a long period of time. The style of management based on issuing orders should give way to motivation to action. Management should monitor the work of subordinates, inspire them to action and encourage to change. Following towards collaborative decision-making, although it is more expensive and increases the time it takes to make a decision, it liberates the potential of the team. It encourages to submit ideas, helps to identify predispositions, needs and aspirations of workers and recognized their value.

Following managers towards transformational leadership encourages the manager to individualized perception of a subordinate through the prism of his/ her needs and values, meet

the needs and expectations of the employee, create the desired attitudes and behavior, increase activity, the integration of individual and company objectives .

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