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## Shaping Small and Medium-Sized Enterprises' Business Environment

**Abstract:** Modern enterprises appear to be more and more focused on their intangible assets, among which the intellectual capital plays an important role. One of its components – relational capital – is an essential value of an organization as it helps build long-lasting relations between the company and its stakeholders. This, in turn, leads to a business' competitive advantage. With the help of a research conducted, this study attempts to assess the relations between small and medium-sized enterprises (SMEs) and their business environment institutions.

**Key words:** small and medium sized enterprises, intellectual capital, relational capital

### Introduction

The condition necessary to keep a current enterprise functioning effectively, is to ensure constant improvement and adjustment to ongoing market changes. For there is no enterprise that can operate in isolation from an environment and entities

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functioning in it. Avoiding threats and seizing opportunities is largely dependent on the ability to analyze the dynamic environment. Anticipating the future, and especially determining future business, technical and economical relations, is highly believed to have an important meaning for running and administrating the company. Environmental signals constitute a basis for rational planning and building the strategy. Thereby, operating becomes more creative, flexible and resistant to critical situations.

The above observations lead to a conclusion that most implemented business and managing solutions help obtain competitive advantage, but only a short-term one. Only long-term and strategic building of stable business relations between the company and its stakeholders results in maintaining the competitive advantage. *Ipsa facto*, relational capital of the company as part of widely understood intellectual capital, becomes the core asset of a company and the source of its competitive advantage.

This study attempts to assess the relations between small and medium-sized enterprises with other entities in the business environment. The study presents the results of pilot research conducted in the fourth quarter of 2014 and the first quarter of 2015. The research focused mainly on the three stakeholders' groups: suppliers, customers and competitors as the three groups are considered to be the most important in the process of creating business relations between the company and the environment. The conducted pilot research will be widened with further aspects of business relations and different groups of stakeholders.

### **The concept of relational capital**

The fact that there has been an enormous development of technology and automation of production processes in knowledge-based economy, gives intangible resources, especially intellectual capital a higher meaning. It constitutes a part of company's total value and is at the same time a difference between market value and the book value of the company [Pietruszka-Ortyl 2004, p. 12]. The intellectual capital is treated also as a source of financing company's intangible resources that contribute to generating future benefits which influence the process of company's value creating [Dobija 2003, p. 10].

In literature intellectual capital is defined in various ways. It is perceived like knowledge that consists of many different factors like: appropriately chosen technology, employees' experience and skills, processes and information about suppliers and customers [Stewart 1997, p. 11]. One of the most frequently cited definitions, created by Leif Edvinsson, states that the entirety of intellectual capital of an entity consists of: human capital, structural capital – relational internal, relational external and organizational capital [Edvinsson, Malone 2008, p. 39]. Intellectual capital is definitely influenced by relations (appropriately shaped) occurring among the three components.

Relational capital, which refers to relational resources founded on the ground of the potential accumulated in an entity, which means employees' skills [Bąkowska-Morawska 2008, p. 115] and relations between a company and other entities, is a part of intellectual capital.

Relational capital covers knowing competition's strategy and external conditioning including country's economic stance and the politics. Relations are established both with internal stakeholders like the owners, management, employees, unions and external stakeholders like suppliers, clients, competitors, financial institutions, local and state administration and local society. As can be seen, there are many different relations to be established and taken care of. It is essential to involve the whole team in building advantageous relations between the entity and its stakeholders, as it favors gaining benefits by both parties. Relational capital can be treated not only statically as a resource related with interpersonal relations but should also be seen from a dynamic perspective, as an ability to create and maintain stable relations founded on trust and cooperation. Such an approach together with effective company-stakeholders relations management can contribute to gaining numerous benefits like [Chomiak-Orsa 2012, p. 52]:

- increasing the probability to obtain an approval for operating and changes implemented;
- establishing good reputation and a positive market image;
- obtaining and creating useful resources (also unique ones).

### **Assessment of SMEs business environment relationships**

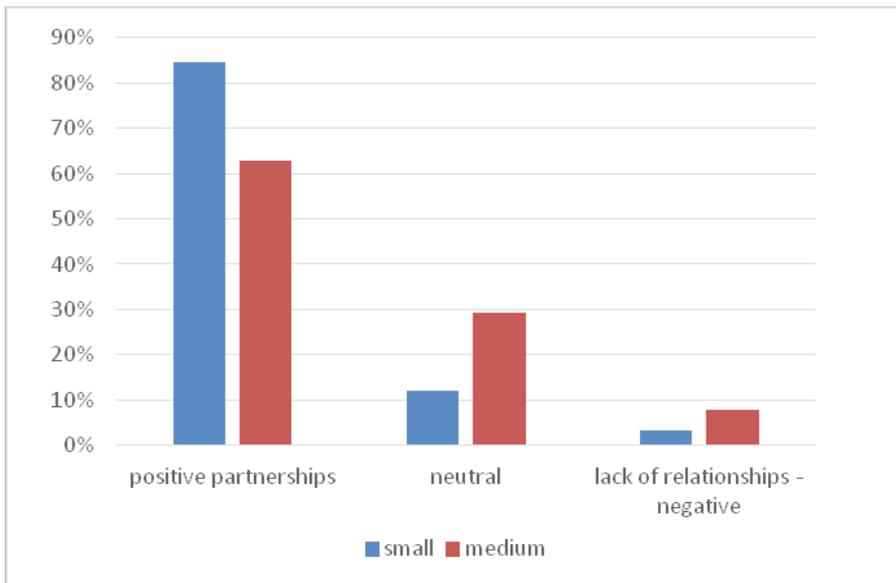
The pilot survey was carried out among 142 SMEs sector entities of different trades. There were 91 small enterprise participants (including micro-enterprises) and 51 medium-sized company participants. The survey was conducted in the fourth quarter of 2014 and the first quarter of 2015 using electronic forms. An in-depth research group was randomly chosen from among the respondents who completed electronic questionnaires. The research took a form of questionnaire-based interviews made by pollsters.

The respondents are representatives of companies running their businesses in Silesia and Opole Province. They are both management staff members (67% of small and 21% of medium-sized companies) and workers (24 small company respondents and 30 medium-sized companies respondents). Management staff prevalence is a result of the number of small enterprises, where an owner is a manager at the same time. The enterprises being studied mostly do business at the local or regional market whereas international range concerns only 3 small entities and 10 medium-sized ones.

It is an intellectual capital and its different aspects that are paid attention to in the survey. Components of intellectual capital consist of human capital, structural

capital and relational capital. The latter one is shaped by relationships established with customers, suppliers, distributors and other stakeholders, mainly being close to. The research unambiguously indicates that the relationships established with their stakeholders do satisfy the respondents, which is presented in graph 1. The relations are predominately partnerships or neutral. Moreover, the relations are claimed by management staff respondents to be built on purpose (79% of answers given by small organizations participants and 86% of answers given by medium-sized organizations participants). The situation looks similar among the workers – 54% of answers given by small entities and 60% answers given by medium-sized entities.

**Graph 1. Company – stakeholders (suppliers, customers, competitors) relationships assessment**

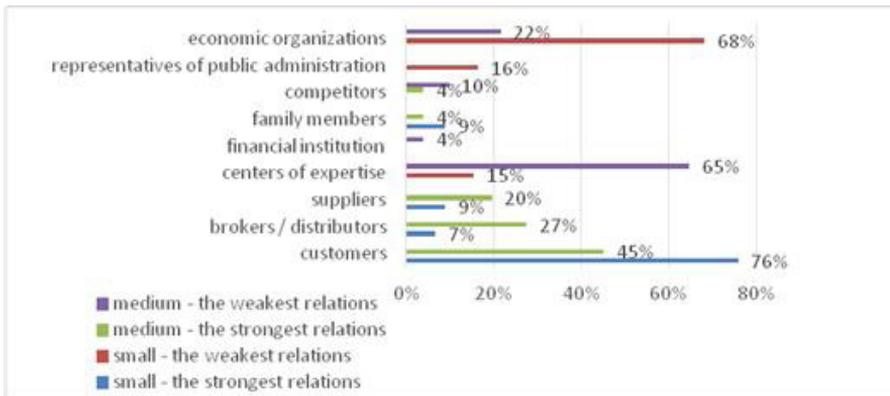


Source: own study based on the research.

Customer relationships appear to be assessed best both among small companies (76%) and medium-size ones (46%). The weakest relations are established between small enterprises and economic organizations such as clusters, incubators and transfer centers (68% of answers), whereas in medium-sized enterprises centers of expertise relations are found the poorest (65% of answers). Graph 2 presents all answers given by the respondents. SMEs are not convinced enough to establish solid relationships with institutions they have no straight business connections and

which they are not dependent on. Therefore, the potential of those institutions is lost instead of being exploited.

**Graph 2. Company - stakeholders relationship strength**

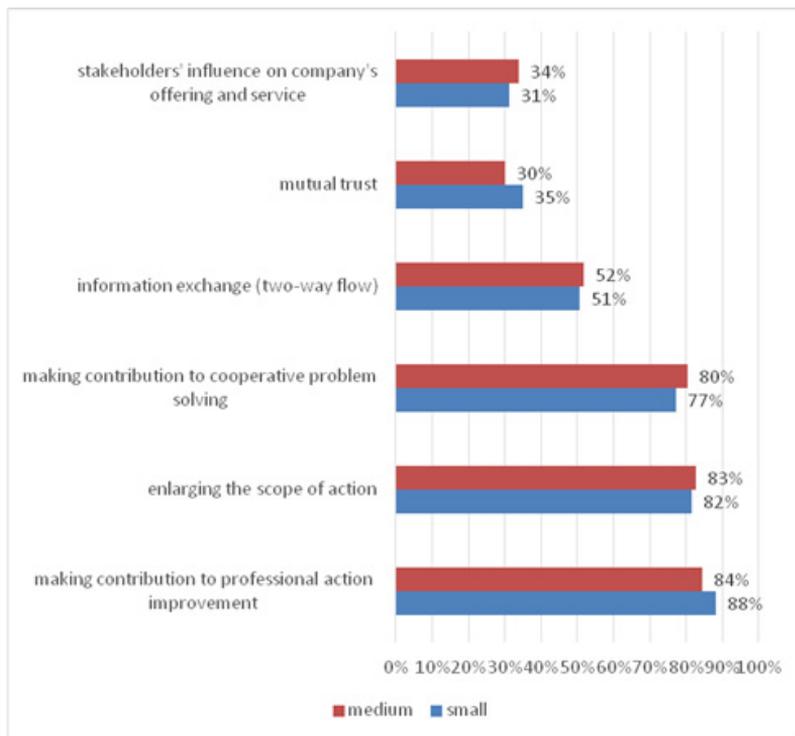


Source: own study based on the research.

Whether a company strives for positive relations with third parties or not mostly depends on possible future benefits which may be brought. While analyzing the respondents' answers it is easy to observe that small and medium-sized companies tend to show similarities. Aiming for and maintaining partnerships may be explained by the need for a company competitiveness. Both respondent groups, managers and workers, indicate three main issues saying that positive relations with suppliers, customers and competitors:

- contribute to enlarging the scope of action – 82% of small companies and 83% of medium-sized ones
- contribute to professional action improvement – 88% of small companies and 84% of medium-sized companies
- contribute to cooperative problem solving.

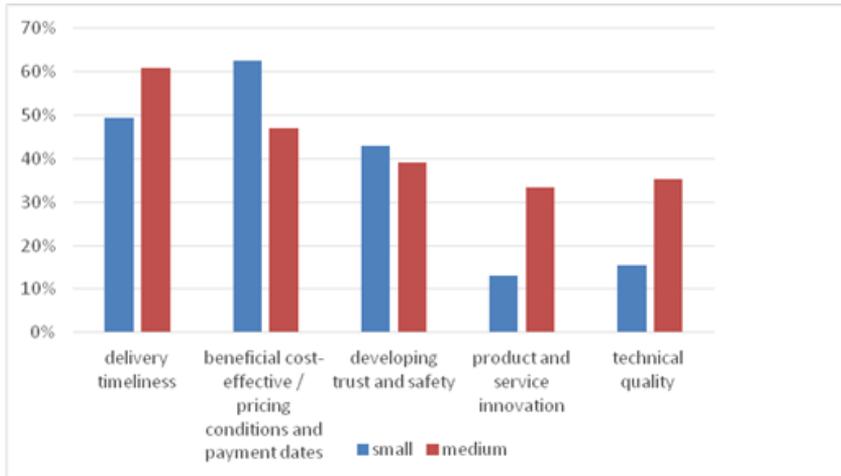
**Graph 3. Benefits of maintaining stakeholders relations: suppliers, customers, competitors**



Source: own study based on the research.

As can be observed, only two first points are presented in a different order, but the disparity is almost unnoticeable. Such points like mutual trust and stakeholders' influence on company's offer were indicated least often. These aspects will be given a deeper consideration further on in the study when specific groups of stakeholder relations are examined.

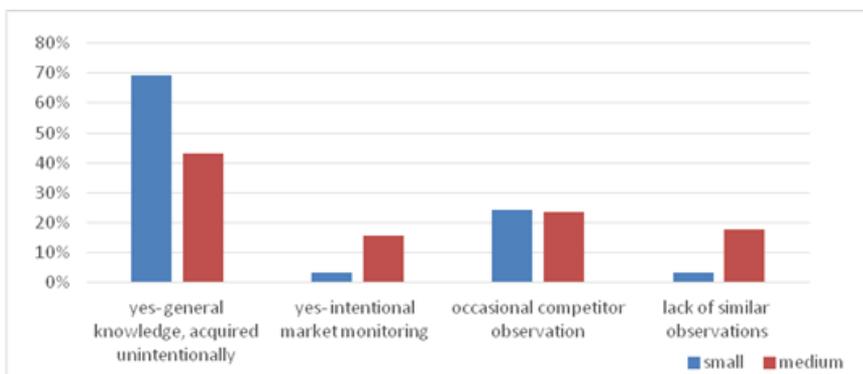
Taking into account relations with suppliers, small companies' respondents mostly focus on beneficial cost-effective pricing conditions and payment dates (63%) as well as delivery timeliness (49%). The two aspects do matter to both sides but small entities consider them weak points as they often have to face liquidity and delivery problems. The area of developing mutual trust and safety attracts 43% of respondents. Yet, rarely is the importance of product and service innovation pointed by the respondents. The situation looks similar when medium-sized companies are being examined, as presented in graph 4.

**Graph 4. Benefits of buyer-supplier relationships**

Source: own study based on the research.

When relations between a company and a competitor are taken into account, creating and maintaining their interaction are mostly being indicated. Except this aspect, there is no action observed leading towards any mutual affairs between companies and their competitors. Such an attitude is shared both in small (87%) and medium-sized companies (72%). The question to be answered now is therefore where they get the knowledge about their competitors from. As shown in graph 5, intentional or even occasional market monitoring from the perspective of competition is hardly conducted. Companies tend to rely on general knowledge accessible to all units, often gained unintentionally. The research shows, on the other hand, that almost half of medium-sized companies (47%) is aware of their competitors' strategies, strong and weak points and actions. Small entities reached a better place in this area (74%). Yet, the knowledge concerns only selected competitors. It is therefore worth wondering whether the information is complete and reliable enough to uncover, for example, the opponent's strategies. The knowledge may turn out to be an abstract concept when it comes to reality. It is therefore easy to assume that the superficiality of relations with competitors is a result of the lack of relevant, complete knowledge.

**Graph 5. Gaining knowledge about main competitors**



Source: own study based on the research.

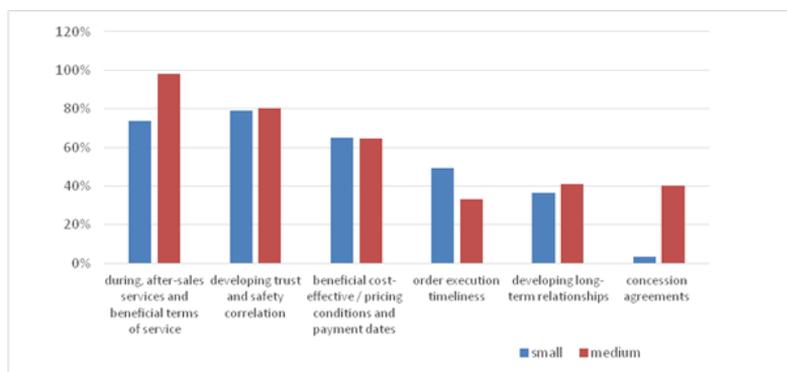
The issue of customer relationship appear to be more optimistic despite the fact that it is also based on fragmentary research. Graph 6 reflects the structure and specific nature of customer relationships. The findings confirm that business-customer interactions are of a similar structure and characteristics both in small and medium-sized enterprises.

Business-customer relations concern:

- during, after-sales services and beneficial terms of service
- developing trust and safety correlation
- beneficial cost-effective / pricing conditions and payment dates
- order execution timeliness
- developing long-term relationships

Medium-sized companies also pay much attention to concession agreements possibilities (40% of answers).

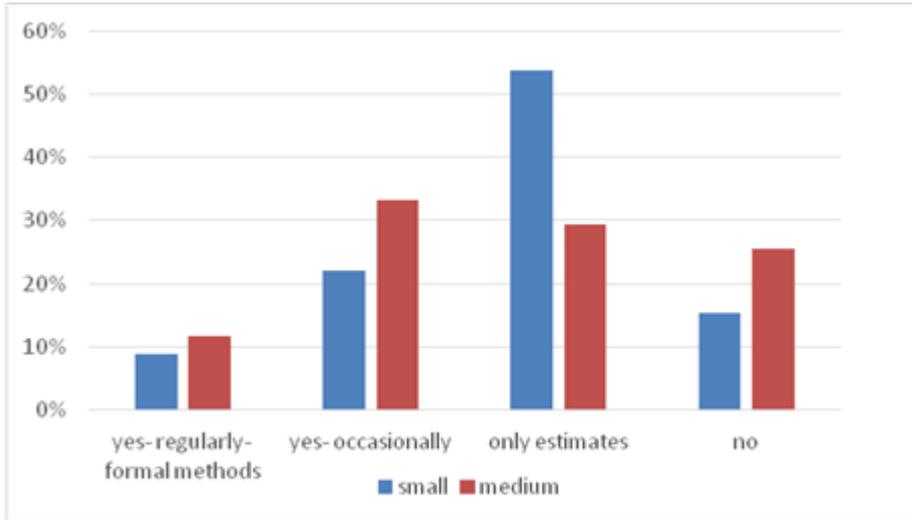
**Graph 6. Business-customer interactions**



Source: own study based on the research.

The results clearly prove that unlike the previously analyzed relations, the ones with customers appear to be strongly desired as the respondents applied to all answers.

**Graph 7. Customer satisfaction and loyalty**



Source: own study based on the research.

Even though the loyalty level of their customers is measured low or tolerably enough, the respondents still attempt to gather some information on them (graph 7). However, these actions do not seem to be carried out respectively, which, in turn, results in misperceiving the issue of customer commitment. 12% of medium-sized companies systematically analyze customer satisfaction and loyalty using formal methods, whereas 37% of them occasionally conduct such examinations. Yet, the situation looks much worse when small companies are being considered as 54% of them only use approximate estimates in this area. Even though the pricing factor mostly influences marketing strategy, neither small organizations (87%) nor medium-sized ones (61%) regularly examine their customers' price sensitivity. As much as 76% of small companies and 67% of medium-sized ones follow standards in their service offering, like, for example introducing seasonal collections. 74% of small and 46% of medium-sized companies adapt their offering strategies to the knowledge and experience acquired on their own.

## Summary

Customer relations are proved to be significantly important and commonly admitted. However, the necessity to build solid relations with other stakeholders is also revealed. Such relations are important from the perspective of presenting company's uniqueness and maintaining competitive advantage. Furthermore, market volatility requires immediate response and adjusting to new situations. Not only is gathering detailed information about market and business entities important but also its thorough analysis and interpretation. According to the research carried out, SMEs sector companies tend to rely on selective data, mostly gained by accident and thus, not fully reliable.

The research also indicates that both staff groups, managers and workers, do understand the significance of maintaining the existing relationships with their stakeholders and building the new ones. However, emphasis should be placed on their quality. It is therefore necessary to build up some strategies constituting the result of both, competitiveness and cooperation between stakeholders involved in mutual business actions.

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## Cultural Comparison of Trait Emotional Intelligence among the Provinces of Pakistan (Sindh, Punjab, Khyber Pakhtunkhwa and Balochistan)

**Abstract:** The important feature of effective manager is to understand emotions in an effective method. This study looks into cultural variations in trait Emotional Intelligence among the business managers from the provinces of Pakistan i.e. Sindh, Punjab, Khyber Pakhtunkhwa and Balochistan. Comparing rotated component matrixes of these four provinces revealed the four traits emotional intelligence factors, Well-being, Self-control, Emotionality, and Sociability of these provinces. Short-form of Trait emotional intelligence Questionnaire developed by Petrides [2009] has employed to measure the 404 business managers from four provinces in present article. The results revealed evident the cultural differences in trait emotional intelligence scores with the business managers of Sindh scoring consistently higher than other three provinces and the business managers from Balochistan province scores are at lowest. These cross cultural

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differences may have ramification for global EI trait, well-being, self-control, emotionality and sociability in business manager's performance, negotiation, conflict management, decision making and organizational development.

### **Introduction**

Emotional intelligence is acknowledged as core to leadership strategy incorporate as an aspect of the essential skills, capabilities and personal behaviors of managers to deal with and manage correctly with employees and to bring change for the advancement of organization, Singh, Manser, and Mestry [2007]. The model of Trait emotional intelligence centers on traits associated to social behavior produces social intelligence and personality traits connected to emotions produces emotional intelligence.

A most significant factor, emotional intelligence found in high performing business managers and Bostjancic [2010] discovered that managers who properly managed their emotions and signals were more pleased with their work and also perform better. Trait emotional intelligence is explained by Petrides, Pita, & Kokkinaki [2007] as a constellation of emotional self-perceptions situated at the lower degrees of personality hierarchies. The framework of trait emotional intelligence delivers extensive coverage of personality facets related to affects and trait emotional intelligence creates each individual's personality unique. Grewal & Salovey [2005] accepted that individuals from dissimilar cultural backgrounds differently interpret and use emotional information and facts.

The provinces of Pakistan i.e. Sindh, Punjab, Khyber Pakhtunkhwa and Balochistan have unique and dissimilar cultures, languages, and traditions already proved by Mehmood & Zia et al. [2015]. The workforce from these four provinces is working in public and private sector national and global organizations. Ang. et al. [2007] accepted that an individual, who is emotionally intelligent in one particular culture, might not be that in another one. It is a need of organizations to find business managers who are emotionally intelligent in various cultural settings. The emotional intelligence is very important during the selection and recruitment and performance management process of expatriate managers. Therefore, national and global organizations must have better understanding of trait emotional intelligence in order to staffing, customizing businesses effectively as a unified entity in accordance to cultural needs of the local and global market.

This research aims to examine the cultural differences in trait emotional intelligence by exploring differences among the business managers of the provinces of Pakistan. The results of the research will assist and provide guideline not only to business managers but also to national and international organizations who are operating in these four provinces to be competent in trait of emotional intelligence in different cultural settings.

## Theoretical Background

The emotional intelligence term came into sight a number of times in the literature explained by Greenspan [1989]. There are two prominent approaches located in the literature that contemplate Emotional Intelligence dimensions:

The first approach is Ability Emotional Intelligence, relates to cognitive abilities and is tested by performance measurements. Salovey and Mayer [1990; 1997] defined emotional intelligence as an “ability to perceive, appraise, and express emotion; using emotion to facilitate thought; to understand emotion; and an ability to control emotions to promote emotional and intellectual growth”. Ortony, Revelle, and Zinbarg [2007]; Keele and Bell [2008]; Rossen, Kranzler, and Algina [2008] mentioned the weaknesses in the concept of emotional intelligence as an ability and also the challenges that occur from neglecting the inherently subjective dynamics of emotions.

In accordance to Perez, Petrides and Furnham [2005], different standard cognitive ability assessments, assessments of ability emotional intelligence are not able to score objectively for the reason there are no definite key elements for what constitutes an accurate result. Ability emotional intelligence assessments have used to sidestep this issue by relying on substitute scoring methods, which have also been applied earlier for dealing with similar complications in the operationalization of social intelligence. Petrides, Frederickson, Furnham [2004], explained that many intrapersonal ingredient of ability emotional intelligence is not responsive to objective scoring, simply because the information and facts needed for such scoring is accessible only to the assessor. Psychological indices of emotions have to be confirmed with reference point to men and women unique reports of their feelings.

The subsequent approach of Trait Emotional Intelligence developed by Petrides, Furnham [2003] and they point out that traits emotional intelligence is composed of self perceptions and behavioral dispositions, which are suitable with the subjective dynamics of emotions. It is tested with self-report measurements described by Bar-On [2000] and Mayer, Caruso & Salovey [2000]. Its mean trait emotional intelligence was involved with cross situational consistencies in behavior, and implanted within the personality framework, and is examined by using validated self-report inventories that measure regular behavior.

Trait emotional intelligence approach has a number of advantages comparatively to others, it understands the subjective nature of emotional experience revealed by Robinson & Clore (2002), as a result avoid a number of difficulties afflicting other models. Trait emotional intelligence also combines the construct into popular theories of differential psychology instead of treating it as a novel entity separated from gathered scientific knowledge. It is not linked to particular exclusive assessments, but rather it is standard and presents a foundation for the presentation of information from any survey of emotional intelligence or relevant constructs.

Vernon, Villani, Schermer & Petrides [2008] investigated that the trait emotional intelligence facets are as personality traits. The connection between traits of personality and trait emotional intelligence discovered by Besharat [2010]; Sanchez-Ruiz et al [2010]; Petrides et al [2010] and Khalatbari et al [2011]. Personality as a source of emotions has been firmly proved by Stephen P. Robbins & Timothy A. Judge [2014] and personality is formed by both genetic and environmental affects but the most significant of the latter are cultural influences and the elements which link culture to personality are cultural values and norms was identified by Harry C. Triandis and Eunkook M. Suh [2002]. Some individuals display anger as an emotion on criticism but some seem calm and relax and take criticism as an opportunity for improvement. These dissimilar reactions explain the different trait components of their personalities and people's emotions vary across cultures stated by Stephen P. Robbins & Timothy A. Judge [2014].

Behavioral scientists consent on the premise that personality traits and emotions are culturally and socially formed and maintained stated by Berry, Poortinga, Segall, & Dasen [2002]. The norms of cultures also influence behavioral responses to emotions. Van Maanen and Kunda [1989] claim that norms manage emotional displays by understanding the emotions regarded acceptable to expose in particular contexts. Gross, J.J. & John [1998] further investigated and mentioned about social norms that rule how individuals should really feel at particular times. Miyamoto & Ryff [2011] employed the phrase cultural scripts to recommend to cultural norms that influence how individuals expect emotions to be managed. It means cultural impacts on the emotion process are mediated to a significant extent by the importance an emotion has for a person.

Various ethnographic scientific studies recommend cultural dissimilarities in social consequences, especially when it comes to examining emotions. Scholars have extensively mentioned the need for non-natives to a community to observe behavior to figure out norms about socially appropriate replies to emotion expressed by Weick [1995]. The cultural norms influence emotion and affect a group's ability to manage emotion by their affect on emotional capacity of group or a degree of tolerance for approaching, participating to, or conversing emotion, Holmer [1994] extensively acknowledged that cultures have unique display rules or norms that impact on the management of emotion and generate common function and predictability among people in their reaction to emotional stimuli. Druskat and Wolff [2001a; 2001b] stated that communities differ in their capability to develop cultural norms that have a favorable influence on the emotional process (i.e., how members interpret and respond to emotion), and on developing the group's emotional potential.

Many global organizations are operating and several approaching to utilize business opportunities in the four provinces of Pakistan. Adler [2002] stated that the business achievements, profitability and success of organization are depended intensely on effective and efficient managers. Ahmetoglu et al. [2011] expressed

that emotionally intelligent managers are more likely to engage in innovative entrepreneurial activities and the competency in emotional intelligence is an essential predictor for the success of manager and organization. The effect of emotional intelligence on work outcomes was tested empirically by Gross [1998] in his emotion control model. The attraction of emotional intelligence has been consistently supported by claims expressing that it is a foundation of successful manager and employee's job performance justified by Joseph & Newman [2010].

Culture decides the values and norms of people and the cultural norms also figure out the significance of emotions and also managing of them. The favorable influence of culture on employee's job performance of workforce and organizational productivity has been verified specifically in the context of the culture of Pakistan by Mehmood et al. [2013]. It was expressed by Druskat V., and Wolff [2001b] that emotional skilled group norms is relevant to group emotion where it controls the behavior of group associates towards other associates, the group level of group emotion where it controls behavior of team members toward the team as a whole, or the cross-boundary (external) level of group emotion where it controls behavior of team members towards those outside of the team; these degrees are reliable with those suggested by Arrow, McGrath, and Berdahl [2000].

As a multicultural state the provinces of Pakistan have great diversity of cultural activities, languages, consuetudes, traditions and religious rituals revealed by Mehmood et al. [2015]. Culture have considerable influence on emotional expression and the indigenous emotional responses shown by associates of various countries and ethnic communities stated by Caruso & Salovey [2004]. The norms of culture influence the definition of occasions and the behavioral reaction to those occasions. As Stubbs and Messer [2003] have revealed, communities differ in their capability to work with emotion and create group capability to deal with emotional concerns. Druskat and Wolff [2001a] have recognized the existence of group-level capabilities, which indicate the capability of group to produce group norms that influence and regulate the emotional process in a way that develops emotional potential and builds up cultural capital and leads to efficiency.

The research on cultural variations in trait emotional intelligent particularly in the context of four provinces of Pakistan has not been found in the literature. Cultural differences clearly exist among the provinces of Pakistan and previous research has discovered already the differences among these four cultures proved by Mehmood & Zia et al. [2015].

After reviewing above literature, following questions were hypothesized:

H0: The trait emotional intelligence scores of business managers from four provinces of Pakistan are significantly similar to each other.

H1: The trait emotional intelligence scores of business managers from four provinces of Pakistan are significantly different to each other.

This research may provide more comprehensive understanding cultural variations in trait emotional intelligence and comparison of trait emotional intelligence scores of business managers of these four provinces of Pakistan may help national and international organizations in the areas of recruitment, performance and conflict management, workgroup cohesion, organizational commitment, development and citizenship.

### **Participants**

This research composed total 404 business managers from four provinces. 73 male and 39 females from province of Sindh (including 26 senior managers, 39 managers and 47 assistant managers), from province of Punjab were 95 males and 46 females (including 24 senior managers, 48 managers and 69 assistant managers), from province of Khyber Pakhtunkhwa were 69 males and 19 females (including 9 senior managers, 22 managers and 57 assistant managers) and from the province of Balochistan were 52 males and 11 females (including 6 senior managers, 11 managers and 46 assistant managers). The participants randomly selected from the 19 private sector organizations of Pakistan and all of them completed the English version of TEIQue-SF. The participant's education was graduation to master degree and working experience was 4 to 26 years. The age range of participants was 21 to 55 years. Participants were asked to complete the questionnaire and they were categorized either as Senior Managers, Managers and Assistant Managers from the provinces of Sindh, Punjab, Khyber Pakhtunkhwa and Balochistan. Total 460 questionnaires were distributed 437 were returned and 33 were uncompleted and only 404 were utilized in this research. The response rate was 92.44%.

### **Data Elicitation Instrument**

To measure the Trait emotional intelligence of participants, the short-form of Trait Emotional Intelligence Questionnaire developed by Petrides [2009] was employed which offers extensive coverage of the trait emotional intelligence sampling domain. A range of TEIQue's forms are adapted and validated in numerous researches which concentrated primarily on trait emotional intelligence verified by Furnham & Petrides [2003]; Petrides Frederickson, & Furnham [2004]. The questionnaire was comprised on 30-item inventory. This measure produces scores on 15 emotion-related facets, four factors, Well-being, Self-control, Emotionality, and Sociability. Participants are needed to reply on a 7-point Likert scale ranging from "1=completely disagree" to "7=completely agree". The questionnaire requires less than 10 minutes to finish, therefore ensuring that participants do not suffer question fatigue, stated by Bryman and Bell [2003; 2007] and thus take less care about their responses. Well-being is comprised of questions 5, 9, 12, 20, 24 and 27. Self-control is comprised of questions 4, 7, 15, 19, 22 and 30. Emotionality is

comprised of questions 1, 2, 8, 13, 16, 17, 23 and 28. Sociability is comprised of 6, 10, 11, 21, 25, and 26. The trait emotional intelligence scores comprised on (self-motivation=questions 3, 18 and adoptability=questions 14 and 29). Questions 2, 4, 5, 7, 8, 10, 12, 13, 14, 16, 18, 22, 25, 26, and 28 are reverse-coded. The Cronbach alpha value for TEIQue factors (well-being, self-control, emotionality and sociability) of Sindh, Punjab, Khyber Pakhtunkhwa and Balochistan provinces was (0.81) for this research and it is acceptable and reliable.

### Factor Analysis

Petrides and Furnham [2000] recommended factor analysis prior to applying trait emotional intelligence scale, thus, confirmatory factor analysis of four provinces data was performed by utilizing principal components analysis with varimax rotation technique and all calculations are produced on SPSS version 11.2. Ultimate solution of principal component analysis was centered on the extraction of 4 factors, being communality value for each variable greater than 0.50. This technique has employed to figure out the factor structure of trait emotional intelligence in each of the four provinces samples and the scree plot methods were instructed for the selection of four factors.

**Table 1. Rotated Component Matrix Pattern of Sindh Province**

	<b>Self-control</b>	<b>Emotionality</b>	<b>Sociability</b>	<b>Well-Being</b>
Emotion Regulation	<b>0.811</b>	0.045	0.086	-0.042
Stress Management	<b>0.696</b>	0.001	-0.223	0.14
Impulse-control	<b>0.661</b>	-0.046	0.217	-0.061
Relationships	-0.168	<b>0.753</b>	-0.092	-0.103
Empathy	-0.073	<b>-0.746</b>	0.224	-0.084
Emotion Expression	0.257	<b>0.694</b>	0.283	-0.056
Emotion Perception	0.456	<b>-0.53</b>	0.072	-0.046
Emotion Management	0.174	0.041	<b>0.777</b>	0.101
Assertiveness	0.296	-0.322	<b>0.712</b>	-0.231
Social Awareness	-0.204	-0.036	<b>0.685</b>	0.081
Self-esteem	-0.027	0.071	0.022	<b>0.789</b>
Happiness	0.008	0.115	0.191	<b>-0.737</b>
Optimism	0.04	0.002	0.239	<b>0.697</b>

Source: own work.

Rotated Component Matrix for the Province of Sindh mentioned in Table 1, total four factors are extracted and the variances of four unrotated factors were 19.89%, 14.10%, 13.50% and 12.13% respectively, total variance was 56.629%. The scree plot for the province of Sindh indicated that there were four possible common factors emerging from the data set as presented in table-1. The facets of emotion regulation, stress management and impulse-control are added in first factor self-

control. Relationships, empathy, emotion expression and emotion perception and added in factor two emotionality. Emotion management, assertiveness and social awareness are added in sociability. Self-esteem, happiness and optimism are added in fourth factor well-being.

**Table 2. Rotated Component Matrix Pattern of Punjab Province**

	Emotionality	Sociability	Well-Being	Self-control
Relationships	<b>0.762</b>	-0.308	-0.2	0.026
Emotion Perception	<b>0.663</b>	0.006	0.289	-0.175
Empathy	<b>-0.674</b>	-0.279	-0.043	-0.269
Emotion Expression	<b>-0.553</b>	-0.247	0.021	0.258
Impulse-control	-0.018	<b>0.646</b>	-0.194	0.311
Stress Management	0.087	<b>-0.659</b>	0.092	0.12
Emotion Regulation	0.14	<b>0.611</b>	0.12	-0.001
Happiness	0.031	-0.066	<b>0.687</b>	-0.023
Optimism	0.065	0.084	<b>0.65</b>	0.018
Self-esteem	0.049	0.093	<b>-.756-</b>	-0.86
Assertiveness	-0.023	0.131	0.14	<b>0.652</b>
Emotion Management	0.117	-0.078	0.068	<b>-0.767</b>
Social Awareness	0.055	-0.161	0.063	<b>0.675</b>

Source: own work.

In the table 2, Rotated Component Matrix for the Province of Punjab, total four factors are extracted and the variances of four unrotated factors were 15.32%, 14.30%, 12.50% and 9.87% respectively, total variance was 51.99%. The scree plot for the province of Punjab indicated that there were four possible common factors emerging from the data set as presented in table 2. The facets of relationships, emotion perception, empathy and emotion expression and added in first factor emotionality. The facets of impulse-control, stress management and emotion regulation are added in second factor sociability. The facets of happiness, optimism, self-esteem are added in third factor well-being. The facets of assertiveness, emotion management and social awareness are added in fourth factor self-control.

**Table 3. Rotated Component Matrix Pattern of Khyber Pakhtunkhwa Province**

	Well-Being	Self-control	Emotionality	Sociability
Self-esteem	<b>0.749</b>	0.021	0.325	0.084
Happiness	<b>0.666</b>	0.205	0.042	0.091
Optimism	<b>0.643</b>	0.14	-0.093	0.006
Stress Management	-0.087	<b>-0.678</b>	-0.257	-0.025
Impulse-control	-0.235	<b>-0.669</b>	0.104	-0.324
Emotion Regulation	0.271	<b>0.623</b>	-0.037	-0.436
Emotion Perception	0.131	0.227	<b>0.589</b>	-0.405
Relationships	0.1	-0.007	<b>0.537</b>	0.063
Emotion Expression	-0.346	0.282	<b>0.532</b>	0.129
Empathy	0.082	-0.238	<b>0.505</b>	0.462
Emotion Management	0.079	0.137	0.249	<b>0.71</b>
Assertiveness	-0.029	0.244	-0.246	<b>0.69</b>
Social Awareness	0.113	-0.096	0.063	<b>0.633</b>

Source: own work.

In the table 3, Rotated Component Matrix for the Province of Khyber Pakhtunkhwa, total four factors are extracted and the variances of four unrotated factors were 18.60%, 15.58%, 10.50% and 8.75% respectively, total variance was 53.44%. The scree plot for the province of Khyber Pakhtunkhwa indicated that there were four possible common factors emerging from the data set as presented in table-3. The facets of self-esteem, happiness and optimism, are added in factor first factor well-being. The facets of stress management, impulse-control, and emotion regulation are added in second factor self-control. Emotion perception, relationships, emotion expression and empathy added in third factor emotionality. Emotion management, assertiveness, and social awareness are added in fourth factor sociability.

**Table 4. Rotated Component Matrix Pattern of Balochistan Province**

	Self-control	Emotionality	Sociability	Well-Being
Impulse-control	<b>0.81</b>	0.123	0.195	0.108
Emotion Regulation	<b>0.734</b>	0.245	-0.047	0.298
Stress Management	<b>-0.612</b>	-0.346	-0.312	-0.296
Relationships	0.296	<b>0.78</b>	0.1	0.177
Emotion Perception	0.451	<b>0.708</b>	-0.157	-0.143
Empathy	-0.118	<b>0.621</b>	0.063	0.489
Emotion Expression	0.346	<b>0.578</b>	0.181	0.453
Emotion Management	0.322	-0.161	<b>0.738</b>	0.132
Assertiveness	-0.24	0.344	<b>0.678</b>	-0.323
Social Awareness	0.171	0.071	<b>0.543</b>	0.429
Self-esteem	0.048	0.281	-0.033	<b>0.688</b>

Happiness	-0.178	0.017	-0.182	<b>-0.655</b>
Optimism	-0.248	-0.08	0.021	<b>-0.632</b>

Source: own work.

In the table 4, Rotated Component Matrix for the Province of Balochistan, total four factors are extracted and the variances of four unrotated factors were 34.82%, 10.80%, 10.13% and 8.64% respectively, total variance was 64.40%. The scree plot for the province of Balochistan indicated that there were four possible common factors emerging from the data set as presented in table-4. The facets of impulse-control, emotion regulation and stress management are added in first factor self-control. The facets of relationships, emotion perception, empathy and emotion expression added in second factor emotionality. Emotion management, assertiveness and social awareness added in third factor sociability. The facets of self-esteem, happiness and optimism added in fourth factor well-being.

### Comparison of Factor Analysis

The cross cultural verification trait emotional intelligence has been proven in the factor analysis of TEIQue facets, which are presented in rotated component matrixes of Sindh, Punjab, Khyber Pakhtunkhwa and Balochistan provinces. The Sindh and Balochistan provinces matrixes showed similarity with each other. The factor of Self-Control is the showed as a first factor in both matrixes but the impulse control facet is top in Balochistan province and the facet of emotion regulation is top on Sindh province rotated component matrix. The Punjab and Khyber Pakhtunkhwa rotated component matrixes are significantly dissimilar, not only from each other but also from Sindh and Balochistan provinces.

The province of Khyber Pakhtunkhwa matrix showed the factor of Well-being as a first factor and facet of emotionality as first factor in Punjab rotated component matrix. The facet of self-esteem in Well-being factor showed top and emotion perception is showed top in Emotionality factor in Khyber Pakhtunkhwa matrix. The facet of happiness in Well-being factor is top and relationship in Emotionality factor is showed top in Punjab province matrix.

### Analysis of Data

One Way ANOVA was performed to compare the scores of four provinces. The results of global EI traits,  $F=61.492$ ,  $df=3,400$  and  $P<0.001$ , well-being,  $F=75.842$ ,  $df=3,400$  and  $P<0.001$ , self-control,  $F=114.378$ ,  $df=3,400$ ,  $P<0.001$ , emotionality,  $F=144.164$ ,  $df=3,400$  and  $P<0.001$  and sociability,  $F=103.618$ ,  $df=3,400$  and  $p<0.001$  provide statistically significant confirmation that means of global EI trait, well-being, self-control, emotionality and sociability are not same for four provinces. The P-values show  $P<0.001$ , which reject the null hypothesis. The outcomes are

shown in table 5, firmly demonstrated the significant variations in trait emotional intelligence among the four province of Pakistan.

**Table 5. Mean Scores of four Provinces**

	Sindh		Punjab		Khyber Pakhtunkhwa		Balochistan	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Global trait	6.098	1.638	5.170	1.483	4.136	0.972	3.476	1.060
Well-being	17.258	2.196	16.219	2.018	13.840	1.850	13.619	1.539
Self-Control	18.508	2.831	16.418	2.025	14.272	1.069	13.127	0.791
Emotionality	24.133	2.055	22.723	2.151	18.636	2.600	17.952	3.133
Sociability	17.776	3.424	17.645	1.744	13.897	1.924	12.650	2.208

Source: own work.

Post hoc analysis has performed to compare the trait emotional intelligence of four provinces and results indicated that the province of Sindh scores of global EI trait ( $M=6.098$ , Std. Dev.=1.638), well-being ( $M=17.258$ , Std. Dev.=2.196), self-control ( $M=18.508$ , Std. Dev.=2.831), emotionality ( $M=24.133$ , Std. Dev.=2.055) and sociability ( $M=17.776$ , Std. Dev.=3.424) of Sindh province are significantly highest than other three provinces.

The scores of global EI trait ( $M=5.170$ , Std. Dev.=1.483), well-being ( $M=16.219$ , Std. Dev.=2.018), self-control ( $M=16.418$ , Std. Dev.=2.025), emotionality ( $M=22.723$ , Std. Dev.=2.151) and sociability ( $M=17.645$ , Std. Dev.=1.744) of Punjab province are significantly lower than Sindh province but higher than Khyber Pakhtunkhwa and Balochistan.

The scores of global EI trait ( $M=4.136$ , Std. Dev.=0.972), well-being ( $M=13.840$ , Std. Dev.=1.850), self-control ( $M=14.272$ , Std. Dev.=1.069), emotionality ( $M=18.636$ , Std. Dev.=2.600) and sociability ( $M=13.897$ , Std. Dev.=1.924) of Khyber Pakhtunkhwa province are significantly lower than Sindh and Punjab provinces but higher than Balochistan province.

The scores of global EI trait ( $M=3.476$ , Std. Dev.=1.060), well-being ( $M=13.619$ , Std. Dev.=1.539), self-control ( $M=13.127$ , Std. Dev.=0.791), emotionality ( $M=17.952$ , Std. Dev.=3.133) and sociability ( $M=12.650$ , Std. Dev.=2.208) of Balochistan province are significantly lowest than other three provinces.

#### **Mean Scores Comparison of Four Provinces:**

The scored (17.258) on well-being is higher and Sindh province business managers express their emotion of happiness and pleasure freely and broadly. The massive middle class population is living in the urban areas of Sindh province and it is also a highest individualistic, lowest power distance, second higher feminist and second lowest long term orientation culture of Pakistan founded by Mehmood &

Zia et al. [2015]. The individualist cultures observed happiness as a more suitable emotion to show discovered by Matsumoto [1990]. Sindh province managers are extroversion, openness to new experiences and concentrate on personal development, objective in life, and also self-acceptance, it indicate that they are top optimistic culture of Pakistan. Meta-analysis outcomes uncover that persons with independent self-esteem ideas are much more likely than collectivist persons to display positively partial opinions on themselves founded by Heine & Hamamura [2007]. The managers of Sindh province emphasis on personal achievements and freedom are prioritized over team objectives. Furthermore they also seem to be more self-critical and have a firmly emphasis on negative self-relevant information and facts. It displays that as an individualist culture of Pakistan the province of Sindh concentrate on greatest degrees of subjective well-being. The Diener, Diener & Diener [1995] founded that individualist cultures have a tendency of greater self-well-being levels.

Sindh province scores (18.508) on self-control is highest mean score and its reveals that the province of Sindh business managers have powerful skill to deal with stress, potential to manage daily problems without any difficulty and also have great level of emotional regulation capability. Taylor et al. [2007] discovered that individualist cultures confirmed a greater capacity to deal with stress than collectivist cultures. Believe on equal rights, independency and the role of manager as mentor for his/her subordinates increase self-control of Sindh province managers. High individualist cultures, antecedents of emotions, a greater intensity and emotional attributes expression and a greater existence of emotional conformation and less regulation. The individualistic cultures enhance the regulation of emotions exposed by Fernández Itziar; Carrera Pilar; Sánchez Flor; Paez Darío; Candia Luis [2000]. As a highest feminist culture of Pakistan Sindh province managers also have great self-control, display great degrees of emotional activation and extra capabilities to give and obtain emotional assistance.

The Sindh business manager's score on emotionality is (24.133) is higher than other three provinces. The low power distance cultures are more expressive cultures and facial expressions. Matsumoto et al. [2007] revealed that high long-term orientation is related to lowered emotional expressivity. As a lowest long term orientation culture the managers of Sindh province express and display their facial expressions extensively. Duan et al. [2008] proved that individualism predicted intellectual empathy. The managers of Sindh province are really assertive because they concentrate on good results, improvement, competition and generally communicate directly and also ready to command the environment in any circumstance. As a medium long term orientation culture the province Sindh managers do not gives the opinions or point of views strongly and powerfully. It builds the capability to tolerate, observe and recognize the perception of emotions

of their subordinates. Matsumoto [1990] demonstrated that individualism is directly associated to the facial expression of happiness and sadness.

The business managers of Sindh province scores (17.776) on sociability is higher than three provinces. Earlier researches have confirmed that individualist cultures are more assertive than collective cultures mentioned by Johnson & Marsella [1978]. The managers of Sindh province have more social awareness and the skills to develop best impression and usually respond well-mannered, cordial and orally smooth during preliminary encounters with others and also express pleasure and sadness. Female managers of Sindh province are more provoked by acts of all those in deeper relationships and male managers are more provoked by acts of strangers. Kelly & Hutson-Comeaux [1999] disclosed that women were graded as having more frequent characteristic emotions when in personal relationships.

The business managers of Punjab province score on well-being is (16.219) and the culture of Punjab is intermediately individualist, power distance, second higher masculinity and lowest long term orientation culture of Pakistan founded by Mehmood & Zia et al. [2015]. The managers expect regard, respect and dignity from their subordinates. The province of Punjab managers show the emotions of happiness and enjoy fun in their lives but also focus on their daily responsibilities. Majority of Punjab province population belongs to ruler areas and work as agriculture labor and due to medium economical and financial stability. Their feelings of positive emotions and pleasure are less than Sindh province. Hofstede [1980] revealed that individualists focus on their personal interests and goals more than group. The central point for managers of Punjab is close to individual success but also emphasis on group achievements.

The business managers of Punjab province are on second with score of (16.418) on self-control and managers of Punjab province indicate their emotions which can motivate and maintain or create individual as well as group harmony. As a medium individualist culture they also can moderate their negative emotion generally according to situation. The individualist cultures present themselves positively expressed by Heine, Lehman, Markus, & Kitayama [1999]. As a member of normative culture the managers are hard-working, show formal and friendly behaviors, and also struggle to achieve quick results.

The business managers of Punjab province are on second with score of (22.723) on emotionality and Punjab province managers are widely expressive on oral or non-oral responses to their subordinates as a lowest long term orientation culture. The individualist cultures are more effectual to understand and recognize negative and positive emotions discovered by Matsumoto [1989]. The Punjab province managers are medium self-centered and emphasis on truth, economic growth, personal and formal working relationship oriented. They manage their conflicts personally and aim always is to achieve something.

The business managers of Punjab province are on second with score of (17.645) on sociability and this province is medium masculine culture. Managers of this province have more frequent attribute emotions when in accomplishment scenarios in particular relationships. The Punjab province is medium power distance province and the managers are medium assertive and have medium ability to control their desires. They normally show negative emotions to seniors as they show positive emotions openly but in manner able way. The power distance is related to controlling emotions revealed by Matsumoto et al. [2008]. They always show the emotions of sympathy and understanding to lower status others. As a medium masculine culture the managers of Punjab province show the emotions of strictness but well-mannered and also seeks for self-important. The relationships of Punjab province managers are comparatively estimative and always dependent on dealing to gain something but they also give importance to personal and long term relationships. The individualist cultures give worth to fairness in personal relationships and dominance in working relationship, explained by Triandis [1995].

The Khyber Pakhtunkhwa province business managers are on third position with score (13.840) on well-being. This is highest power distance, masculinity and long term orientation and second collectivist culture of Pakistan founded by Mehmood & Zia et al. [2015]. Managers of this province display medium to low pleasure and enthusiasm for the concept of feeling positive emotions because of lower income, unstable political, religious and economical conditions, and due to tribal cultural norms and unequal human rights values. The managers from Khyber Pakhtunkhwa give significant to in-group achievements simply because as a second highest collectivist cultures they have a tendency of group-critical and have a stronger emphasis on positive in-group relevant information and facts. Collectivist culture's people concentration on in-group successes and interdependence and have a tendency to have smallest individual-well-being levels founded by Diener, Diener & Diener [1995]. The managers from Khyber Pakhtunkhwa do not concentrate on their personal desires and dreams, and regulate their behaviors in accordance to their cultural group needs.

The business managers of Khyber Pakhtunkhwa province are on third with score of (14.272) on self-control and as highest long term orientation culture, managers from Khyber Pakhtunkhwa display positive emotions towards seniors and negative to subordinates but pay attention to conformity and obedience towards in-group. As an uncertainty avoidance culture Khyber Pakhtunkhwa province recognized by stress and anxiety and managers express and verbalize their emotions but also have ability to control negative emotion due to highest long term orientation culture.

The business managers of Khyber Pakhtunkhwa province are on third with score of (18.636) on emotionality and as a high power distance culture. Managers demonstrate their authority freely and display adverse emotions when team

cohesion or group interest is required. Matsumoto [1990] stated that high power distance culture identified expressing adverse emotions toward lower-status other appropriate. The Khyber Pakhtunkhwa is highest masculine culture of Pakistan. Managers from this province are most egoistic and show their aggressiveness, forcefulness and insistent emotions to their subordinates. In masculine cultures, which are recognized by having persons that are aggressive, emotion are not controlled as much as in feminine cultures stated by Hofstede [2001].

The business managers of Khyber Pakhtunkhwa province are on third with score of (13.897) on sociability and managers from this province are low assertive because they generally aim to save face and communicate indirectly. The in-group relationship and collaboration is very essential for them. They expect commitment, loyalty and faithfulness from their subordinates on a regular basis. They regulate their emotions to gain desire outcomes from their subordinates. The high power distance is relevant to managing emotions discovered by Matsumoto [1998]. The province of Khyber Pakhtunkhwa managers are more authoritarian than Punjab and Sindh province. They direct their subordinates clearly and explicitly and also mentioned deadlines highlighted. Managers higher in hierarchy might use a little bit adverse emotions when communicating with their employees. They nurture a greater degree of complying within their group and always surrounded by their in-group members. Managers only display emotions to subordinates which can facilitate group cohesion, harmony or cooperation at greater level. Schimmack [1996] reveals that uncertainty avoidance is relevant to the accuracy and reliability in predicting emotions and as a high uncertainty avoidance province the Khyber Pakhtunkhwa managers have low capability to identify the appropriate emotions of their employees. Khyber Pakhtunkhwa province is high masculine culture and managers of this province are more provoked by acts of strangers in closer relationships, it has founded by Fehr, Baldwin, Collins, Patterson, & Benditt [1999]. The managers of this province show anger, pride, and contempt emotions. The managers of Khyber Pakhtunkhwa manage their emotional responses to protect the opportunity of future excellent collaborative and long term relationships. As a highest masculine culture of Pakistan, the relationships of this province's managers build their relationship to achieve or complete their tasks or objective. Masculine cultures are more frequent characteristic emotions when in achievement situations discovered by Kelly & Hutson-Comeaux [1999].

The Balochistan province business managers are at fourth position on well-being score (13.619). Balochistan is highest collectivist, second higher power distance, long term orientation and lowest uncertainty avoidance culture of Pakistan founded by Mehmood & Zia et al. [2015]. The tribal identity is very powerful in Balochistan culture and they totally communicate indirect in their verbal and nonverbal communication and faithfulness is basic element of this culture. Managers display

lowest happiness because they are provoked by self-centeredness, uncertain social and economical circumstances but have great ability to identify negative emotions quickly. Matsumoto [1990] founded that collectivist cultures are negatively correlated with determining unhappiness but highly able to recognize the negative emotions. As a second highest long term orientation culture they show hide their negative emotion and display reservedly positive emotions to subordinates because in-group loyalty is very important for managers of Balochistan. They focus on individual adoptability but retaliate and show negative emotions to innovation. They also concentrate on group desires and regulate their emotions according to their tribe or group instead of individual. They strongly focus on negative group-relevant information and facts.

The business managers of Balochistan province are on last with score of (13.127) on self-control and managers from this province preserve their negative emotions and normally hide negative emotions towards subordinates and seek for in-group loyalty and compliance. But managers freely communicate and deliver their emotions of anger or appreciation where group interest is needed. They tolerate the mistakes of their subordinates and show their support and command and also pay attention to guide and coach them. The collectivist cultures perceptions are wider than individualist discovered by Nisbett & Masuda [2003].

The business managers of Balochistan province are on last with score of (17.952) on emotionality and as a most collectivist culture of Pakistan; managers focus on personal relationships and do not show their actual and real emotions to close in-group people. They show their negative emotions to out-group people but very careful for in-group associates. The collectivist cultures most probably believe that emotional displays have something to do with their personal connection with an individual showing the emotion, mentioned by Masuda et al. [2008]. The province of Balochistan is highest femininity culture of Pakistan. The managers of this province focus on self-sufficient cooperation and consensus building.

The business managers of Balochistan province are on last with score of (12.650) on sociability and managers from this province are near to near to unassertive. The collective cultures are less assertive than individual cultures stated by Singhal & Nagao [1993]. They communicate indirect manners and neoplasm is significant value of their culture and they seek long term and unconditional commitment, collaboration and faithfulness. According to Hofstede [2001], femininity is associated to excellent work relationships with others and collaboration at work as a highest feminist culture of Pakistan province of Balochistan managers seek consensus to resolve in-group conflicts and build their relationships and in-group cohesion with their subordinates on the basis of societal solidarity and flexibility and do not show rigid behaviors to them. Collectivist cultures place great emphasis on group cohesion describe by Veenhoven [1999].

The global EI trait of Sindh province business managers is highest (6.098) in the comparison of other three provinces and scores on well-being, self-control, emotionality and sociability are also higher than other three provinces. These findings reveals the intention and focus on person goals and objectives, creating in others an appreciation of working activities, and producing and maintaining commitment, confidence, optimism, collaboration and trust in Sindh province managers. It also leads to stimulating flexibility in decision-making and change, and in developing and sustaining a significant identity for an organization.

The province of Punjab managers are on second position on global EI trait with score of (5.170) and scores on well-being, self-control, emotionality and sociability are higher than Khyber Pakhtunkhwa and Balochistan provinces but lower than Sindh. This province manager's concentrates on individual as well as on collective goals and objectives. Strengthen and assertive but less than Khyber Pakhtunkhwa and Balochistan, minimal pessimistic with cooperation and support and democratic decision making are significant trait of Punjab province.

The Khyber Pakhtunkhwa province managers are on third position on global EI trait (4.136) and scores on well-being, self-control, emotionality and sociability are higher than other Balochistan but lower than Sindh and Punjab provinces. The managers of this province emphasize on collective goals. The managers are forceful, dictatorial, authoritarian, pessimistic, and rich influence of power, nonflexible emotions to their subordinates and autocratic decision making are significant traits of Khyber Pakhtunkhwa province.

The Balochistan province managers are on fourth position on global EI trait (3.476) and scores on well-being, self-control, emotionality and sociability are lower than other three provinces. The managers of this province also focus on collective in-group goals. The mangers are powerful, authoritarian, and pessimistic but focus on consensus building, polite and mentor to their in-group associates and collaborative decision making are significant trait of Balochistan province.

These results confirmed the cultural differences in trait emotional intelligence of four provinces of Pakistan. Furthermore, significant differences in global EI trait, well-being, self-control, emotionality and sociability factors have been found in the business managers of four provinces. It verify the role of believes, values, norms, traditions and customs of cultures to shape the trait of emotional intelligence and the four provinces of Pakistan replicate the traits of emotional intelligence accordance to their unique and dissimilar cultures.

## **Conclusion**

The results of this research provide evidence for the factorial and discriminant validity to TEIQue-SF and significant differences among the trait emotional intelligence of four provinces. Cultural values and norms were related to four

provinces differences on global EI trait, well-being, self-control, emotionality and sociability, and the relationship among them, and the trait emotional intelligence was correlated with multiple indices of province-level cultural adjustment. The cultural-specific variations provide assistance in shaping and maintain emotions explained by Mayer, Salovey and Caruso [2008]. These findings of trait emotional intelligence show Sindh as highly emotional intelligent province, Punjab as a medium, Khyber Pakhtunkhwa is low to medium and Balochistan as lowest province of Pakistan. This study implies that even with the truth that cultural values and norms performs vital role in the development, display and interpretation of emotions.

### **Limitations**

The small sample sizes and data gathered only from private sector business organizations of Pakistan are both primary limitations of this research. The participants of this research are business managers and TEQUe-SF was employed as an instrument to measure the trait emotional intelligence in this research. The cultural factors will change within cultures mainly because of demographics, economic classes and other differences within cultures. All participants answered to the trait emotional intelligence measures in English and as a second language may have an impact on the pattern of reactions in this research.

### **Recommendations**

Future researches can replicate the research with a higher number of participants from not only public, private sector business organizations but also educational institutions. Other comprehensive emotional intelligence measurement tools, models could be used to enhance and confirm the results. The top, middle and lower level business managers are participants in this research but different population groups like genders, employees, teacher and students could be studied separately in futures research. The instrument to measure the trait emotional intelligence should be translated in native languages.

The utilization of emotional intelligence in the organization includes the departments of selection and recruitment, employee development and teams building, organizations necessity train their employees in interpersonal skill building and to perform efficiently on the assignments with other employees in the organization. The culture of Pakistan is vastly influenced by religion and future research should be conduct to measure and compare the trait emotional intelligence among the religious groups of Pakistan. The essential management skills and management styles of the business managers of four provinces should also be compared in future research. The effects and impact of culture on recruitment, training, negotiation, conflict management, performance management and team building should also be focused in future research in the context of these four provinces.

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## Age Management within Organizations – Employees’ Perceptions of the Phenomenon – Research Report

**Abstract:** This article discusses the issue of age management in organizations and presents research results concerning workers’ perceptions of the phenomenon. The aim of the research was to study the perceptions of Polish employees of various professional fields, check employees’ level of knowledge of the age management issue, determine the variables differentiating this knowledge and verify whether employees consider age management to be useful and how they perceive experienced workers.

The first part of the article presents concepts explaining what age management is in the context of demographic changes in European societies. Age management is a term encompassing a range of methods aiming at the possibly most effective use of human capital in organizations, irrespective of employees’ age, so that their work is efficient, profitable for the company as well as satisfying for the workers themselves. Strategies referring to age management should consider the perspectives of the company, employee, job market policy and demographic and economic situation conditions. In the later part

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of this article, the authors present the results of exploratory research into the level of knowledge of age management, the way it is perceived in organizations around Poland, mostly in international corporations. The research included employees of business and budget sectors. Respondents answered questionnaire questions by estimating, on the Likert scale, how they assess age management measures taken in their workplace, the need to use experienced workers' potential, etc. In the authors' opinion, because of the importance of the problem of efficient personnel management and promoting and applying age management programs, it is necessary for both employees and managers to have awareness, knowledge and positive attitude towards methods activating the potential of employees from various age ranges.

**Key words:** age management, experienced employee, use of human capital, perceptions of age management phenomenon.

### Introduction

The phenomenon of population ageing has been observed in many European countries for many years [Kowaleski, Majdzińska 2012]. The process is determined by various factors including life span extension, drop in the number of children per family and related birth rate decrease. Population of people over 60 years of age is estimated to have increased 3 times by 2100 [Bieling, Stock, Dorozalla 2015, p. 6, *Office for National Statistics*, 2012, p. 3]. The most visible increase in this age group will be observed in developing countries, also in Poland. European population is the oldest in the world as people over 40 constitute over a half of the population [World Population Ageing: 1950–2050, pp. 22–23]. Social awareness of population ageing has been increasing. Therefore, future competitiveness of companies and entire economies will largely depend on efficiency and productivity of older employees as well as effective use of their skills [Fabisiak, Prokurat 2012, p. 84]. For many countries it is a priority to increase older people's professional activity, and *Age Management* is an important factor in achieving this aim [Auer & Fortunly 2000, p. 5].

The abovementioned phenomena significantly determine changes in the structure and size of workforce [Kulik, Ryan, Harper, George 2014, p. 929]. Contemporary workers come from four generations and cover over 50 years of a man's lifetime. In organizations there are employees of just 20 years of age as well as those aged over 70. In many organizations it is vital for three generations to be able to cooperate [Böhm, Kunze, 2014, p. 668]. Organizations face the necessity to exploit age diversity effectively. It requires understanding the processes both on macro and microeconomic levels, knowledge of team building, acknowledging different needs of employees of varied ages and their differing ways of functioning. The notion of the social categorization perspective shows that people prefer to work with colleagues similar to themselves [Williams, O'Reilly 1998]. Creating teams of workers of different ages might lead to an increased number of conflicts in the workplace. It might lower the level of identifying with the organization, lower

commitment level and result in lower efficiency in comparison with homogeneous work teams.

On the other hand, the concept of information perspective explains the positive impact of diversity on work results. The increase in efficiency within the diversified group is based on the assumption that employees working in varied groups (diversified demographically or in any other way) might be given a wider scope of tasks or have wider knowledge. In such a team, skills and abilities at the whole group's disposal are accumulated. What's more, the team's creativity increases leading to improved decision taking [Bell 2007].

Competent combination of personal and professional strengths of younger and older employees might help to achieve success and stimulate organization's development.

Current and predicted demographic changes present new challenges for employers in the area of human resources management and must not be ignored. In fact, it is a double challenge as it means attracting young talents and, at the same time, retaining older employees. In the light of these changes, organizations are required to revise their HR policies and practices. Diversity management, including age management, is a positive solution for the challenges. The possibility to create work environment in which varied age employees' potential is used skillfully is considered a competitive advantage of the organization [Čiutienė, Railaitė 2013, p. 27]. Diversity management, in terms of age, involves planning and implementing organizational practices of managing workers of different age to maximize potential benefits of the diversity and minimize its potential downsides [Cox Jr 1994, p. 11]. Age management aims at attracting the best employees of all age ranges to work for the organization [Naegele & Walker 2006, pp. 1–2]. It refers to recruitment, training and lifelong learning, career development, flexible working hours, health care and education, redeployment, retirement plans. It is a complex approach focusing on workers' entire life span and encompassing preventive and corrective measures [Naegele & Walker 2006]. Other measures used by companies to retain older employees include team work promotion and cooperation programs to meet the needs of older workers and enable them to continue expanding their knowledge and skills. Such strategies are beneficial not only for the older employees but also give their younger colleagues the chance to improve their skills and increase efficiency and involvement [Albright & Cluff 2005].

One of the factors that allow achieving high efficiency of all age groups is creating the climate for age management in the whole organization, unifying perceptions of diversity management policies, practices and procedures with reference to age. It is essential to create the belief that an employee's age is not a barrier to progress within organization. HR practices should be internally consistent and based on logical systems. Support should be given equally to all employees, irrespective of

their age, to ensure access to training and further development for all age groups. In this way, organizations can ensure that all age groups possess required knowledge and skills to carry out their tasks properly and contribute to company efficiency.

Another significant factor in transparent HR policy should be to give all employees, irrespective of age, a chance to be promoted or redeployed. It is also beneficial to create organizational culture which takes into account *age-friendly* promotion of the value of all age groups' contributions and promoting integration-focused managerial staff. Employers should be aware of age diversity in their organizations and take measures to strengthen the feeling of being a recognized member of organization, irrespective of age.

Of importance is also the role of social campaigns aiming at informing employers about the benefits of hiring staff of diversified age. They could help to decrease prejudice against older workers. Experience of age management and examples of good practice in this area frequently come from large organizations which are able to engage bigger funds in this activity. Good practice of age management has been set but it is not universal. There is a considerable gap between policy and practice. Organizations' employees should understand what age management is and what it aims at. This awareness is of significance in the context of shaping their attitudes to older employees and building commitment among organization staff.

### **Research methodology**

The purpose of this research was to study age management perceptions of Polish employees from various industry sectors. To meet this objective, the following research questions were formulated:

- Do workers know what age management within organization is?
- Do developmental variables (age, sex) differentiate workers' knowledge of age management within organizations?
- Do demographic variables (education, work experience, place of work, position within organizational hierarchy, business sector) differentiate workers' knowledge of age management within organizations?
- Do workers' beliefs regarding the need to implement age management in organizations and attractiveness of experienced employees differ? If so, how?
- Do workers' beliefs regarding the use of knowledge and skills of experienced employees in their organizations differ? If so, how?
- Do workers' beliefs regarding opportunities to learn from experienced colleagues in their workplace differ? If so, how?
- What would workers like to learn from experienced colleagues in their workplace? Do developmental variables differentiate respondents' learning needs?

The research was primarily of exploratory nature, but also local (it was conducted in Lower Silesia). Therefore, research hypotheses were not formed.

The research considered independent variables: developmental (age, sex), dependent variables: knowledge of the phenomenon of age management, perceptions and beliefs regarding age management in organizations. Demographic variables such as education, experience, position within organisational hierarchy, business sector were also studied.

The research was conducted anonymously, the procedure was standardized and used questionnaire method. To measure the variables selected for the research, the following tools were used:

1. Demographic data questionnaire (age, sex, education, experience and place of work, position within organisational hierarchy, business sector)
2. Age management phenomenon perception measurement questionnaire designed by the author for research purposes. It consists of 7 questions, including 2 open-ended ones, allowing respondents to elaborate on what age management is as well as what they would like to learn from experienced workers in their organizations. The first open-ended question also allowed to verify whether employees accurately define the phenomenon of age management if they declared having (or not having) such knowledge. The closed questions also referred to the problem of the need to use age management programs in organizations, whether respondents have the opportunities to learn from experienced colleagues in their organizations (is their potential used) and whether the organizations employ workers who can be learned from. The last of the closed questions referred to perceiving experienced workers as attractive and desired in Polish companies and by Polish employers. Closed questions were answered by means of the Likert scale. Respondents estimated their answers on the scale 0-5 from 'definitely unattractive' to 'definitely attractive' or 'definitely not useful' to 'definitely useful'. The analysis of open questions was done by 2 competent judges (psychologists) who categorized respondents' answers.

The research included 112 employees (women 60% and men 40%) employed in Lower Silesia organizations. Majority of research population had higher education (88.4%). Secondary education respondents amounted to 11.6%. The respondents represented the following sectors: IT (43%), finance (6%), production (4.5%), trade and services (33%), other (e.g. transport, education, energy – 13.5%). The research group was diversified in terms of age and included respondents aged: under 25 (41%), 26–40 (51%), 41–60 (7%) and one respondent (1%) over 60. Employees with little professional experience (up to 3 years) constituted a big group of respondents (38%), 42% of the respondents had experience of 4–10 years, while 20% of the research population had many years of experience (11–26 years). 16% of the respondents were employed at managerial positions, 31% were independent specialists and 53% were common organization workers.

## Research results

To answer the formulated research questions, data obtained in the research was analysed statistically. The empirical results referring to the respondents' knowledge of the phenomenon of age management show that half of the respondents (51%) declare knowledge of the matter, 49% claim to lack knowledge of age management. Women significantly more often claimed to have the knowledge (38%) than men (11%), ( $\chi^2 = 15,16$ ,  $df = 1$ ,  $p < 0.001$ ). Respondents' age did not differentiate their beliefs about possessed knowledge ( $\chi^2 = 1.83$ ,  $df = 3$ ,  $p < 0.60$ ), similarly to work experience ( $\chi^2 = 4.07$ ,  $df = 3$ ,  $p < 0.25$ ). When asked for a written explanation of what age management in organization is, only 12.5% of the respondents confirmed declared knowledge with actual one. 87,5% of the respondents inaccurately defined the phenomenon of age management in organization. In case of the second research question, referring to differentiating knowledge of age management by means of developmental variables, the obtained results unequivocally show that sex was the only significant variable ( $\chi^2 = 3.87$ ,  $df = 1$ ,  $p < 0.05$ ), while respondents' age was not of statistical significance ( $\chi^2 = 3.35$ ,  $df = 3$ ,  $p < 0.34$ ). Within the group of female respondents, only 7.5% had knowledge of what age management was, while 92.5% gave inaccurate answers (tab.1). Within the group of male respondents, 20% gave correct answers and 80% defined age management inaccurately.

**Table 1. Percentage distribution for sex variable (N =112)**

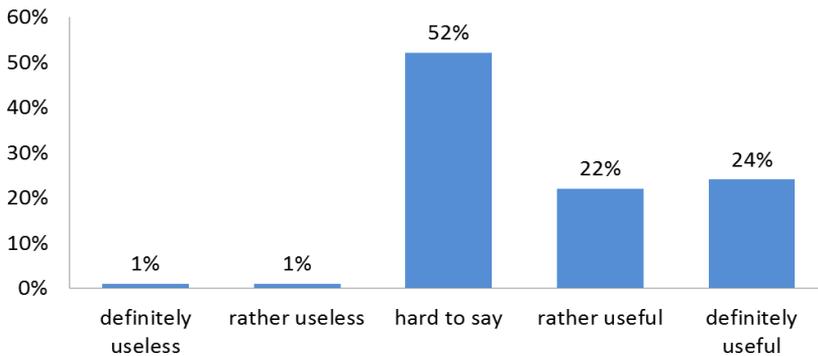
Sex	Know	Don't know	Total
Women	7.5 (%)	92.5 (%)	100 (%)
Population	5	62	67
Men	20 (%)	80 (%)	100 (%)
Population	9	36	45

Source: own description.

Demographic variables do not differentiate employees' knowledge of age management in organizations. Of no statistical significance are also education ( $\chi^2 = 0.31$   $df = 1$ ,  $p < 0.58$ ), work experience ( $\chi^2 = 1.37$   $df = 3$ ,  $p < 0.71$ ), position within organizational hierarchy ( $\chi^2 = 2.70$   $df = 2$ ,  $p < 0.25$ ) or sector ( $\chi^2 = 8.56$   $df = 4$ ,  $p < 0.07$ ).

With reference to the question regarding differences in employees' beliefs about the need to use age management in organizations and attractiveness of experienced workers for their employers, it must be noted that 52% of the respondents claimed that it is difficult to say whether it is necessary. 22% of the research population considered it rather useful and 24% saw it as very useful. No need or little importance of using age management was expressed by 2% of the respondents (fig. 1).

**Figure 1. Percentage distribution of respondents' answers related to the need of using age management in organizations (N=112)**

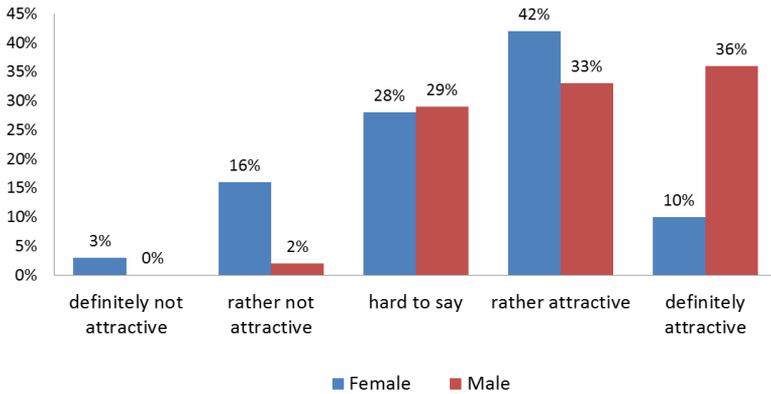


Source: own description.

Developmental variables, such as sex (U Mann-Whitney = 13.13 for  $Z = -1.14$ ,  $p = 0.26$ ) and age ( $H = 4.95$  for  $df = 3$ ,  $p = 0.18$ ) did not differentiate respondents' beliefs regarding the need to use age management. Only a tendency was observed showing that the frequency of beliefs of the need to use age management in organizations increased alongside respondents' age. The opinion was shared by 39% of the respondents under 25 years of age, 49% respondents aged 26–40 and 58% of those aged 41–60. It is worth mentioning that the older the respondents, the less frequently they showed indecisiveness regarding the issue. The position within the organizational hierarchy was not a variable differentiating beliefs regarding the need to use age management programs in organizations.

Analyzing the perceptions regarding the attractiveness of experienced workers for their employers, the following conclusions were drawn: in total, 13% of the respondents believe that experienced workers are not very attractive for the employers, 29% find it difficult to answer the question, 38% believe them to be highly attractive and 20% think experienced workers are definitely attractive (fig. 2).

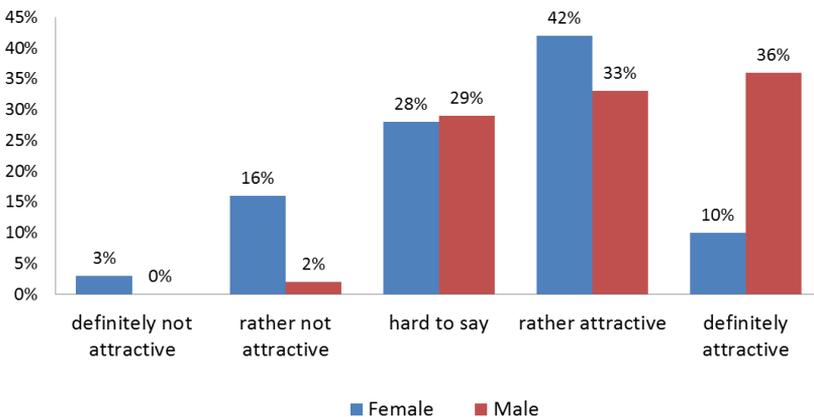
**Figure 2. Percentage distribution of respondents' answers regarding attractiveness of experienced workers for employers with reference to sex variable (N=112)**



Source: own description.

Among developmental variables, only sex differentiated respondents' opinions on the attractiveness of experienced workers for employers (U Mann-Whitney=1009.0 for  $Z = -3.10$  14,  $p = 0.002$ ). Women more often expressed their opinions about definite lack or low attractiveness of experienced employees for employers (19%) in comparison with men (2%). Male respondents more often claimed that experienced workers are desired by employers (69% and 52% respectively) (fig. 3).

**Figure 3. Percentage distribution of respondents' answers regarding attractiveness of experienced workers for employers with reference to sex variable (N=112)**

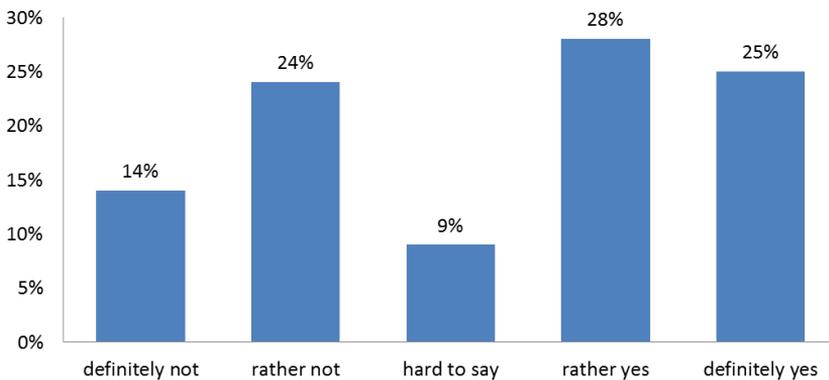


Source: own description.

Age was not a statistically significant variable for beliefs regarding attractiveness of experienced workers for employers ( $H = 3.06$ ,  $df = 3$ ,  $p = 0.38$ ).

With reference to the next research question, regarding the use of knowledge and skills of experienced employees in their workplace, 38% of the respondents claimed that their potential is unused, 9% had no opinion on the issue and 53% believed that employers rather or definitely use the potential of their experienced colleagues (fig. 4).

**Figure 4. Percentage distribution of respondents' answers regarding the use of experienced workers' potential in their workplace (N=112)**



Source: own description.

Research results showed that answers varied between the two sex groups ( $U$  Mann-Whitney = 659.50 for  $Z = -5.17$ ,  $p = 0.00$ ). 55% of women claimed that employers definitely do not use or rather don't use the potential of experienced employees. In comparison, only 13% of male respondents expressed the same opinion. In male respondents' group, the majority (83%) thought that employers rather or definitely use the knowledge and skills of experienced workers. Only 4% of this group's respondents had no opinion on the issue. Positive opinions on the use of older employees' knowledge and experience in their workplace were expressed by 33% of women, while 12% found it difficult to say. Age was not a differentiating factor in respondents' answers regarding the above ( $H = 3.26$ ,  $df = 4$ ,  $p = 0.51$ ).

The last two questions referred to the opportunities to learn from experienced colleagues in their organizations. Obtained results show that 86% of the research population believe to have such opportunities, while 14% expressed no such opportunities for acquiring knowledge. Among the studied developmental variables, only sex shows to differentiate respondents' opinions ( $\chi^2 = 5.95$ ,  $df = 1$ ,  $p < 0.05$ ).

Men significantly more often signalled the opportunity to learn from experienced colleagues, in comparison with women (96% and 79% respectively).

Obtained statistics show a generally high percentage of employees who have colleagues they can learn knowledge and efficient behaviour patterns from. Among the most frequently mentioned categories were specialist professional knowledge and professional skills (45%), problem solving and handling difficult situations (17%), work time management (7%), people management (6%), general skills (5%) and other. Developmental variables were found not to differentiate significantly the areas employees wished to improve. Considering respondents' age, a trend was observed showing that young employees (under 25) most frequently wanted to acquire professional knowledge and skills (56.5%) and learn problem solving skills (17%). The need to learn professional competences (35%) and handling difficult situations (16%) were also observed among employees aged 25–40. Employees from 41 – 60 age range expressed the need to learn professional skills (37%) but also effective work time management (37.5%). In this age group, it was also important for the employees to learn problem solving skills and handling difficult situations skills from the strategic perspective (25%).

Demographic variables selected for this research do not differentiate respondents' answers in the context of needs related to learning from experienced colleagues.

### **Discussion and conclusions**

In line with the assumptions presented in this article, age management should realize important aims of job market policy, including effective use of human resources, by considering the needs and potential of employees from various age groups or by increasing professional activity among people in their late adulthood (over 60) [Walker 1997, Naegele, Walker 2006]. Despite the fact that the issue of age management is widely promoted in the media or is the subject of numerous studies, research and discussions, the results obtained by the authors of this article show relatively poor knowledge of the matter. Half of the employees in the research declared lack of knowledge of the phenomenon of age management in organizations. Verifying the actual amount of possessed information provided results which show that as much as 87% of the research population do not know what age management is.

Considering the fact that awareness and knowledge of individuals in this area are significant cognitive components of attitudes [Ajzen 1991, Festinger 1995] which determine cooperation in age diversity conditions, obtained statistics are rather pessimistic. Moreover, 54% of the respondents do not see the need to use age management in organizations. Demographic and developmental variables do not differentiate employees' perceptions, although a tendency appears to view the need for age management in organizations more positively as the employees grow older. It should be noted that among employees in managerial positions only 16%

considered age management necessary, although all respondents in this group had higher education. The result might surprise as company managers, irrespective of level, are responsible for people management including long-term personnel resources planning, development, adjusting employee attitudes and behavior or team work efficiency. The low level of awareness, knowledge and need to use age management observed among employees might result from their age. 92% of the respondents were young workers under the age of 25 and early adulthood workers under 40. Relatively young age of the employees means relatively short life experience perspective and might be decisive in terms of not considering or underestimating the factor of using experienced workers' competence. Young or young adulthood stage is characterized by self-focus, acquiring knowledge, experience, competence, position within the group, focus on satisfying own needs [Baltes, Smith 2008, Oleś 2011]. Orientation towards others, readiness to share experience and knowledge, effective cooperation, broad environment perception perspective typically appear at the stage of mid adulthood (over the age of 40). It should be added that in Polish companies the majority of employees are aged 25–45. Statistically, the number of this age employees is higher in Poland compared to other countries of the European Union [Liwiński, Sztanderska 2010]. Therefore, we do not observe a deficit in young staff or high supply of experienced workers on the Polish job market. It might significantly affect age management perceptions. The dominant number of employees from the young adulthood group (under 40) in Polish companies might lead to a decreased chance to use experience, knowledge and skills of older generations and, consequently, reduce the solutions' efficiency and creativity [Bell 2007, Nęcka 2012].

The belief expressed by 60% of the respondents convinced of high attractiveness of older generations of employees for their employers, is a significant indication of positive perceptions of experienced workers. Although women more frequently than men believed that experienced workers are not so highly desired in organizations or that their potential is not used in the workplace, in total, more respondents showed a positive perception of the phenomenon. Different perspectives of perceiving older employees' attractiveness by men and women might result from varied experience or the extent to which a negative stereotype of mid or late adulthood employees' affects their attitudes. This stereotype refers mostly to the supposed lower levels of flexibility, creativity, activity dynamics or intellectual capacity of older generations' individuals. The perspective described above might also derive from women's experience or perceptions of greater barriers in professional development of experienced workers or their potential not being used.

Discussing the issue of factors determining companies' readiness to use age management, it must be noted that, according to this research results, an undisputed majority of respondents (86%) expressed the opportunity and willingness to learn

from older colleagues. The motivation to learn manifested itself in respondents' pointing to precise needs concerning their development, e.g. acquiring knowledge and professional competence, problem solving or time management skills. Only 17% of the respondents did not indicate in which area they wish to learn from more experienced co-workers. The obtained results indicate employees' positive attitude towards cooperating with more experienced, in personal and professional terms, colleagues. This is of significance in the context of realizing current and future age management politics in enterprises.

Discussing the obtained empirical results, it is necessary to add that the authors of this research are not free from limitations resulting from the assumptions made for the research and methods used. One limitation is that of a small research sample which impedes conclusions' generalization. Presented research was a pilot study which is certainly worth repeating with a larger and more diversified sample, e.g. including a larger number of employees from mid and late adulthood populations. It is advisable for the research questionnaire to include more questions verifying beliefs concerning needs for and methods of using age management in organizations. It might also be relevant for future research to include measurement of social approval variable to test respondents' declarations rather than their actual behaviour in organizations. When planning future research, it is recommended to eliminate at least some of the mentioned limitations.

The summary of the above considerations might indicate implications for management practices. In the face of needs related to implementation or improvements in age management within organizations, it seems to be necessary to shape workers' attitudes in a way that would foster cooperation in age-diversity conditions. Molding employees' attitudes should include influencing the components of their cognition, emotions and behavior. Due to the low level of knowledge of age management phenomenon, it would be advisable to begin by impacting the cognitive sphere by providing education, building awareness of needs and benefits of using age management tools. It might also be important to create teams which are diversified in terms of age. This could facilitate experience exchange and mentoring as well as learning different perspectives of perceiving tasks and solving problems. Common experience might provide team members with support, fulfil their developmental needs and evoke positive emotions associated with cooperating with individuals from different age groups. Positive beliefs and emotions related to working in age-diversified teams should stimulate cooperation-oriented behavior and reduce conflict situations.

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## Intercultural Project Management for IT: Issues and Challenges

**Abstract:** The development of Information Technology projects using Project Management Methodologies like PMP-PMI, Agile or SCRUM for software development, CPM, CCPM, RAD, XP, FDD, ITIL, JAD, LD, PRINCE2, etc.; may be a complete success or a total catastrophe, for series of reasons, events and circumstances that frequently are not related at all with the deliverables, the products being built, the IT technology involved, the level of expertise, the responsibility and professionalism of the stakeholders including the project manager, but due to intercultural factors. The PMP-PMI Model (PMBOK) describes 10 areas: Cost Management, Time Management, Scope Management, Risk Management, Quality Management, Procurement Management, Integration Management, Stakeholder Management, Human Resources Management and Communication Management. An IT project is considered successful if the customer is happy, but technically and formally if the TEAM was able to meet the triple constraint set up by time/cost/scope. This happy ending is not possible if the project manager and the team as a whole are not able to confront, attack and solve the issues associated with Human Resources Management, Stakeholder Management and specially Communication Management.

These three areas are highly influenced by Intercultural factors like language, race, age, gender, religion, sexual preferences, beliefs, habits, etc., becoming their analysis an essential task if we want to accomplish and guarantee a favorable outcome. This position paper concludes in contradiction with what is a very common believe between many technical project managers that the most important factors to take in consideration for the success of an IT project management is the careful and planned attention to the potential issues and challenges associated with the cross-cultural communication and the human

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resources implicated in the projects. This paper will describe the cultural dimensions, issues and challenges associated with Intercultural Project Management for IT.

**Key words:** Project Management for IT, Project Management, Intercultural Communication, Intercultural Management, Intercultural Information Technology Management.

## Introduction

During the last 15 years half of the off-shoring and outsourcing phenomenon has specially focused on Global Software Development. The success of the Indian companies, the appearance of new players like Brazil, China, and particularly programmers coming from Eastern European and from Latin-American countries in conjunction with the robustness exhibited by software companies in Israel, has made the Project Management Business for Software Development the most important task in the Information Technology Environment right now.

Cultural differences in International Project Management are very important. An international project manager who works aboard has to take these cultural differences in religion, language, traditions, ethics, background, etc. in consideration if he or she wants to succeed in his (her) role as a leader of the team. Global Project Teams are confronted with the task of balancing Western Project Management practice with local business customs, cultural dimension conflicts, cross-cultural communications challenges, human resources issues and heterogeneous legal frameworks in order to be able to deliver high quality results. Bill Young past president of the AIPM (Australian Institute of Project Management), who lives and works in China declare that “50% of joint-venture project between Western companies and Chinese companies fail” [Young 2013].

Understanding cultural differences is one key to the success. China is one of the biggest markets today and a great place to experiment and analyze these issues and challenges [Wong 2008a]. Cultural differences are clearly perceived by a non-local project manager working in international developments to be biggest challenge in China [Sae 2013]. Additional unwanted situations related to project management in China reflect poor quality, workers hiding problems from management; weak team ethic, corner-cutting, poor technical communication and inadequate involvement by middle management [Wong 2008].

Project managers are usually very experienced professionals with great ability to plan and organize tasks and people. Soft skills, leadership, organization are essential attributes of a good project manager, the PMI-PMP PMBOK [PMI 2013] describe the core areas involved in the right management of a project and clearly identify Communication, Human Resources and Stake Holders Management as core knowledge areas, but this new dimension of Intercultural Project Development makes the cultural dimensions to be identified as a critical influence on the potential

failure or success of IT Project Management process specially for Global Software Development, IT Outsourcing, Off-shore Project Development and Multicultural Project Development.

### **Cultural Dimensions**

Cultural dimensions are identified factors of great influence on the expected success of IT systems. These aspects must also be contemplated by institutions which projects are deploy off-shore or outsource to international companies or projects developed by teams integrated with staff coming from all around the world, with different social backgrounds, with different perspectives, cultures and/or traditions.

Hofstede's cultural dimension's research is the first reference about culture within Information Systems literature [McCoy 2003, Isern 2014]. Ali and Alshawi [Ali 2005] described a comprehensive cultural dimensions framework, based on Hofstede's cultural dimensions. Dozens of papers have been published describing the world as a melting pot of races, religions, traditions, etc. in a nutshell cultures; giving a set of general concepts and ideas, however, the typologies of culture do have inherent weaknesses since they do not show a clear reflection of the diversity of values and attitudes that may exist in a country or even in a region of a country, nor do they give an explanation of how cultures have developed along the time. This paper wants to raise the level of awareness about the limitations that need to be considered, when analyzing the impact of culture on the Information Technology Project Management [Skok and Legge 2001].

This paper will try to describe the intercultural factors involved and the issues and challenges that those factors create in the Project Management process.

According to experts in the field of intercultural communication, some of those factors [Isern 2014] include:

- The Cultural Identity Factor;
- The Racial Identity Factor;
- The Ethnic Identity Factor;
- The Gender Role Identity Factor;
- The Individual Identity Factor;
- The Social Class Identity Factor;
- The Age Identity Factor;
- The Roles Identity Factor.

Let's first describe Hofstede's work and other author's to later summarize some results and outline some final remarks and recommendations.

### **Culture, cultural theories and intercultural factors**

Culture is the integrated pattern of knowledge, belief, and behavior that depends upon the capacity for learning and transmitting knowledge to succeeding generations.

Culture is the learned values and behaviors shared by a group of people and play a vital role in how a person performs his or her work based on individual patterns of thinking, feeling, and acting. Culture has visible attributes like dining, clothing, religious rituals, architectures, or sports while invisible attributes comprise of orientations to environment, time, communication, space, power, individualism, competitiveness, structure, and thinking. Several theories have been proposed to categorize cultural differences. As the primary source of intercultural factors, we used the works of E.T. Hall [Hall 1976], G. Hofstede [Hofstede 1980, 1997, Fiske [Fiske 1991, 1992] and F. Trompenaars & Charles Hampden-Turner [Trompenaars 1997].

#### *Hofstede's Cultural Dimensions*

- Power Distance (PDI),
  - Individualism/Collectivism (IDV),
  - Uncertainty Avoidance (UAI),
  - Masculinity/Femininity (MAS),
  - Short-term or Long-term Orientation (LTO).
- These dimensions give insight to different national cultures.

#### *E. T. Hall's Cultural Facto*

E.T. Hall, based on anthropological analyses identified key cultural factors. These are classified into High Context and Low Context based on time and space. Hall also looked at the way cultures handle time mono-chronic cultures versus poly-chronic cultures.

#### *Trompenaars & Hampden-Turner Dimensions*

- Universalism vs. Particularism;
- Individualism vs. Communitarianism;
- Neutral vs. Emotional;
- Specific vs. Diffuse;
- Achievement vs. Ascription (attitude toward titles, degrees...);
- Sequential vs. Synchronic cultures;
- Internal vs. External control.

#### *Fiske forms of socialite*

- CS: communal sharing: do people treat all members of a category as equivalent.
- AR: authority ranking: do people attend to their positions in a linear ordering.
- EM - equality matching: how people keep track of the imbalances among them.
- MP: market pricing, how people orient to ratio values.

Hofstede's cultural dimensions help project managers and team leaders to recognize individual and group behaviors in different countries. E.T. Hall's adds

the dimensions based in context concept of time and space. Trompenaars and Hampden-Turner have a contradict Hofstede's cultural dimensions approach because they view culture as process and propose that 'culture is the way in which a group of people solve problems and reconcile dilemmas'. Hofstede analyses the variables of national cultures, whereas Trompenaars and Hampden-Turner are involved in the processes of cultural creation. Many other researchers such as Philippe d'Iribarne [d'Iribarne 2009] have the same approach as Hall but with an ethnographic method for sense making. Vaara [Vaara 2000] has broadened these cultural studies with an epistemological approach that states culture and cultural differences exist only when people become aware of it in their social interactions.

Stahl [Stahl 2003] differentiated two dimensions of culture. The first one states that different culture are fundamentally and possibly irreconcilably different, whereas the second one states that all cultures share some universal attributes.

Stahl has concluded that, despite obvious difference in cultures, there are similarities that are based on human nature, and we believe that those one could be used to reach out to the stakeholders and vaporize the conflicts. Ali & Alshawi [Ali 2004] outline three types of culture. First, there is the culture that a society shares (national culture), a set of core values that shape the behavior of individuals as well as the whole society. Second, there is the culture on a smaller level, namely organizational culture Adler [Adler 1997] and Bagchi and Cervený [Bagchi 2003]. Third, there is the individual level of culture Dorfman and Howell [Dorfman 1988] that describes the effects of national culture on individual behavior.

### **Proposed factors to be included in the cultural dimensions and a critique of Hofstede framework**

Despite the common use given to Hofstede cultural dimensions research, his work can be seen as only one way of looking to culture within the Information Systems and Technology discipline McCoy [McCoy 2003]; Ali and Alshawi [Ali 2004a, 2005]. We must make a deeper analysis of the impact of the culture dimensions on the Project Management; Walsham [Walsham 2002] stated that the Structure Analysis Theory of Giddens could be used to analyze the similitude and difference in a variety of cultural sub-groups and even individuals.

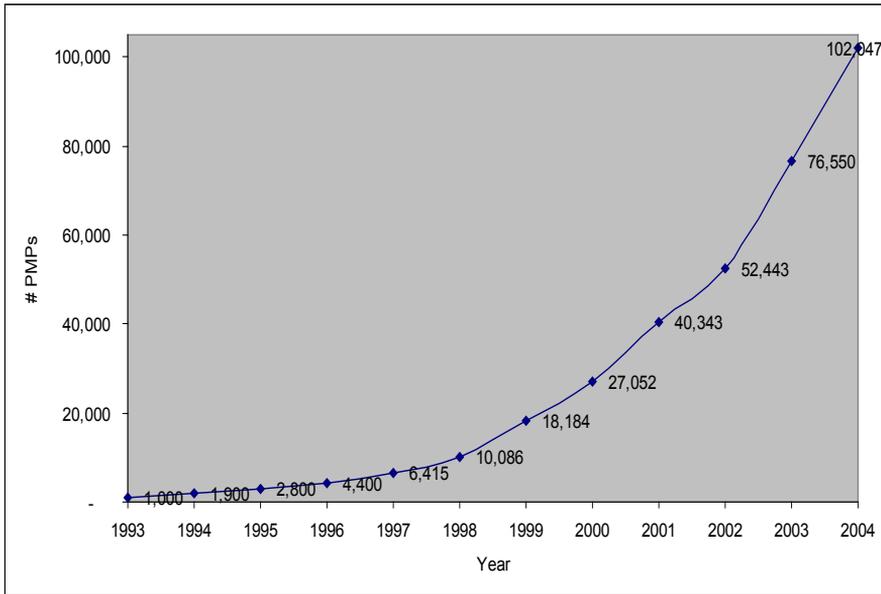
### ***Culture, Structures Theory and Information Systems***

The theory of Giddings as described by Walsham, has been very influential in the social sciences, receiving also considerable attention in the IS field. We propose to use this theory of Giddings plus the models of Hofstede, Fiske, Trompenaars and Hampden-Turner, E.T. Hall, Philippe d'Iribarne, Vaara plus the contribution of Adler, Ali and Alshawi with the summary of Walsham to build a more formal and general strategy to review cross cultural and intercultural factors in Project

Management. We believe that are important connections between the cultural dimensions of Masculinity and Individualism with the tendency that some Project Managers have to adopt a Competitive style of conflict management. We also share with Mohammed and White that Uncertainty Avoidance could be correlated with the propensity for Project Managers to follow an Avoiding approach to conflict management [Mohammed 2008]. More relationships are found between Hofstede's cultural dimensions and conflict management styles in Project Managers but their meaning requires further study, that way we would like to describe the PMP-PMI model to identify the phases, processes and cores areas mainly involved with the cultural dimensions issues and how that imposes challenges for IT Project Mangers I order to propose some recommendations.

### **The PMP-PMI PMBOK model**

Project Management Body of Knowledge (PMBOK) describes the theory that encompasses the practice of project management. These theories are dynamic, integrative processes that are in constant evolution as practice grows and changes. The entire PMBOK incorporates scientifically sound theories in project management along with novel theories and processes that are being tested and proven. The PMBOK includes written frameworks of practice as well as informal and unwritten knowledge. Project management is itself a complete science and as a discipline is useful in a wide variety of domains such as software engineering, construction, architecture, and automotive utilizations. There are five process groups (or steps) and nine knowledge areas is project management (see Figure 2 and Figure 3). Each of the nine knowledge areas in itself contains the five process groups. Each knowledge area needs all five process groups in order to function. Every process in a project management plan becomes interrelated to at least one knowledge area and one process group. The use of the PMBOK and the number of certified PMI Project Managers is been drastically growing since mid-90, but lately with the boom of international outsource off-shore software development projects, the number has grown even more (see Figure 1).

**Figure 1. Number of Certified PMP-PMI Professionals**

Source: PMI 2013.

The PMBOK describes an internationally recognized approach towards project management [PMI 2013]. It can be applied to all types of projects, such as engineering, construction and software. The PMBOK divides the knowledge into Project Management Knowledge Areas, an approach that considers work as if it were being accomplished by processes.

The ten areas are:

1. Project Stakeholder Management;
2. Project Risk Management;
3. Project Integration Management;
4. Project Scope Management;
5. Project Time Management;
6. Project Cost Management;
7. Project Quality Management;
8. Project Human Resource Management;
9. Project Communications Management;
10. Project Procurement Management.

Figure 2. General Description of the Framework of the PMBOK PMI

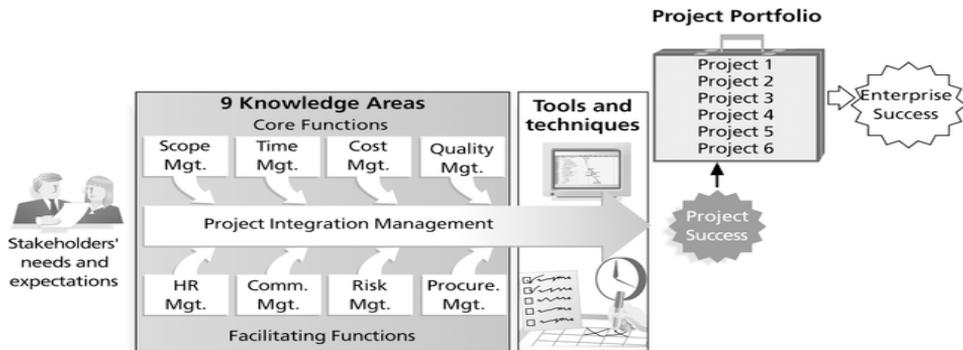


Figure 1-2. Project Management Framework

Source: PMI 2013.

It is expected that various processes will overlap with others during the phases of a project, the processes may also need to interact. Processes have certain common features:

- they have an Input, including plans and designs,
- they include Tools and Techniques, applied to the above mentioned inputs,
- and they include Outputs. These outputs include the goal of the project, such as the product, or documentation.

The concept of the PMBOK's Project Management Knowledge Areas suggests that there are only five process groups. These include:

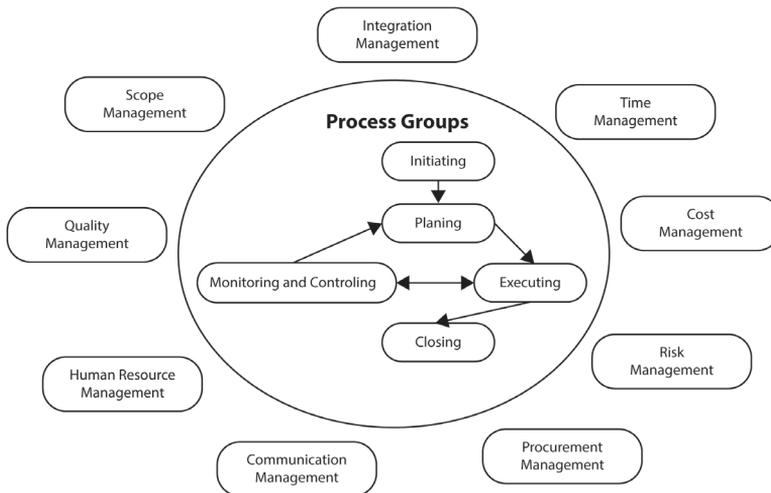
- Initiating – deciding to perform the project,
- Planning – deciding how to run the project,
- Executing – doing the acts that comprise the project,
- Controlling and Monitoring – deciding further details about the project and measuring how the acts that comprise the project compare with the planning, and
- Closing – finishing the project, delivering and paying (See Figure 2 and Figure 3).

In order to create an effective Project Management system, each of these ten knowledge areas are used, each of which may include processes from each of the five process groups. Two of the most important factor to consider is how to initiate, control and terminate every phase, how integrate the different members to every group and to every process, how to conform the teams and how to make that the

interaction between different members is not affected by the issues related to the cultural dimensions described previously.

Each process can be defined as related to one knowledge area and one process group.

**Figure 3. Knowledge areas and Processes**



Source: PMI 2013.

All the processes and phases are very important and a lot of issues related to the cultural dimensions of project management are involved, but the 3 knowledge areas especially involved are Communication Management, Human Resources Management and Stakeholder Management.

Project Communications Management plays a key role in keeping all members of the project management team on the same page. About 90% of the time in a project is spent on communication by the project manager. Without communication among all team members and project stakeholders there can be a breakdown in processes which could have a negative impact on the final product. Among those organizations considered very effective communicators, 80% of project meet original goals, versus 52% at the not so effective counterparts, and are also more likely to deliver projects on time (71% vs. 37%) and within budget (76% vs. 48%). (Pulse of the Profession Report). A 2012 report by PwC show similar benefits, and indicates that those organizations are more likely to stay within scope, meet quality standards and deliver intended business benefits. “A good communication process

keeps stakeholders engaged and project team motivated” says Graham Colborne PMP manager Australia, “You need to internalize good communication strategies as part of the project culture” James Brown, Chair of the Project Management Center of Excellence;” If you want to achieve anything, you need to reach out to people...Tell them what you’re doing, listen to what they need and adjust your goals as necessary” Bobbi Schroepfel, Vice President of Human Resources, Customer Care and Corporate Communications, but what if we can’t reach out based in essentials differences related to the culture dimensions [PMI 2013a].

The project manager must know the communication processes involved in effective project management. First of all there should be planning to determine what information needs to be communicated to all stakeholders in the project and how. Next, that information must be made readily available to the stakeholders and generated in a timely fashion, considering all the cultural dimension issues. Finally, communication with project stakeholders must be managed so that all requirements are met and issues are promptly resolved.

There are also several key components in project communication management which should be considered. Encoding or translation to bypass the cultural differences makes sure everyone understands what is said, how is said and not produces a wrong interpretation. The output of that encoding is the message which is conveyed through a medium. Interference with the message is called noise and finally, the message must be decoded to have meaning for all involved.

As it is well known communication is not an absolute finite thing. Developing an effective communication plan may be associated with the requirements of the communication itself and can be described with the famous 5 w (what, when, why, who, where) and 1 H (how). Environmental factors, organizational factors and mainly the cultural dimension must be included in the analysis in order to create a coherent, holistic, effective and efficient plan.

**Figure 4. Project Phases**



Source: PMI 2013.

**Project Human Resource Management** is associated with the organization and management of the project team. The team is composed of people with specific skills, responsibilities and the most important for this work with cultural differences (languages, religions, traditions, gender, sexual preferences, etc.). All the members of the team should feel they are part of the team and understanding that their cultural differences don't make different, and each one of them is only one more member of the team despite the cultural differences, increasing as a product the loyalty and commitment to project goals and objectives. Human Resource Management in the Project-Oriented Organization it was a kind of not studied topic, even lately has promoted a lot of research. This topic in conjunction with the Project Communication Management is essential for the success of the organizations. Since Project Oriented organizations work with a different fashion, for the temporary of the projects and programs, the structure of the Human Resource should use a totally different approach [Turner 2007].

The project management team, also called the core, executive, or leadership team, is responsible for project planning, controlling, and closing and takes directives from the project team. The project management team and the project sponsor work together to secure funding, simplify scope questions, and influencing team members understanding their differences and expectations.

Project human resource management processes include human resource planning, acquiring the project team, developing the project team and managing the team. Processes are used multiple times, usually occurring at least once in a project or several times in different phases if the project is made up of many phases. In reality, processes intersect with each other and with other phases and are not as definite and concrete as illustrated here.

### **Conclusions and Future Work**

A Project Manager must possess a broad set of skills; leadership, poise, change tolerance, proactivity, technical, management, customer relationship, and conflict management. They have to be able to use this set of skills to create an environment in which the project reach its immediate goals but also functions successfully in terms of meeting the expectations, feelings and needs of its team members. As we described, the importance of the cultural dimension of management, is especially significant in the field of Intercultural Project Management for IT. Jessen [Jessen 1992] explained that the requirements for Hofstede's cultural dimensions of individualism, power distance and uncertainty avoidance differ all along the development of a project, and therefore that cultural values have different effect during the phases of the project. Cultural patterns in project development environments, especially for Global Software Development, reflect those ones in the society. Project Managers must work in the subjacent culture of their society and of their organization and of their own specific project teams Earley and Mosakowski [Early 2004].

Consequently, Project Managers must be comfortable and not only comfortable if not sympathetic understanding cultural requirements of each sector of their working environment. For instance, been able to give “bad news” and to manage performance are considered key skills for a successful Project Manager. Hofstede [Hofstede 2001] described that many cultures have subtle ways of operating, Yeung and Tung, [Yeung 1996] Kohls [Kohls 1994]. For example give feedback is frequently made in some cultures (collectivist) via a third party, and not to observe such practices may result in significant damage to the project environment Slevin and Pinto [Slevin 2004]; Aycan and Kanungo [Aycan 2000].

Previous work by Prabhakar [2006, 2005a b, 2004a b] based on 153 projects in total from 28 nations demonstrate that leadership in projects is a unique challenge as opposed to the leadership of operations. During the development of a project the Manager has to continuously evaluate his or her style of leadership and adapt accordingly to the requirements of the phase (switch leadership). Further studies by Walker & Prabhakar [Walker 2006, 2005] across 25 nations studying 111 projects identified that leading multicultural teams is an enormous challenge where the choice of project manager and his or her team is crucial. The ability of the project manager to communicate and manage human resources from multicultural environment is must.

Some recommendations are, understand the cultural differences will help you to work around them and articulate the issues. Gather the maximum information about the culture of the country beforehand. That will help you to understand: what type of people you have to deal with and how people will react to you?

Understand your own culture first and get critical about it. Three useful tips for a project manager who would like to work aboard:

1. Understand the business culture of the country. Every country has a different national culture and different ways of thinking about business.
2. Encourage project managers who work with a side partners to understand and respect these differences.
3. Be careful with stereotypes, people have different ideas and perspectives.
4. The importance of understanding languages is a must.
  - For example, India has 18 national languages. The spoken languages in India are 347.
  - Popular Chinese dialects – Mandarin, and Cantonese; but writing is the same.
  - People talking in different languages in meeting; be respectful (is it necessary or offensive?)
  - English as a Second Language (ESL) Words can mean different thing; keep it simple Idiom and slang usage How are you? How`s it going? How`ve you been? Talk slowly and clearly (KISS); not too slowly | Learning other language; speaking their language? -Understand their body language

5. Understand and respect cultural differences
  - Know your clients/team and be prepared; not knowing can affect relationship
  - Judging people's origin by looks Physical appearance or by their last names, for example Pakistanis are not Indian, Taiwanese are not Chinese, Korean are not Japanese
  - Accent can usually tell where people are from
  - Respect culture by trying their food; can be a good conversation topic
6. Understand and respect cultural differences
  - Religion/Culture vs. professionalism (get help from HR) Prayer before sunset;
  - People fasting (Ramadan). Not working on Sundays. Caste issue in India;
  - taught to respect elders. Eye contact may be interpreted as rude.
  - Siesta - a nap in the early afternoon (especially in hot countries)
  - Different ways of greeting people. Namaste, Bowing, Hand shake, kissing on cheek, Rub noses, etc.

These were just a sub-set of recommendations just giving as an example.

This was a position paper just to describe potential factors involved, the set of separate theories and foundations that associate Intercultural Project Management for IT with the issues and challenges of the cultural dimensions. But we set the parameters for the future study that we hope will produce a systematic approach in order to configure and enact Intercultural Project Management for IT for Transnational, Global and multicultural target organizations being able to respect cultures, nations and groups involved and reaching the maximum effectiveness and efficiency in the interaction with the team members.

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## Family Involvement in the Firm and Exports in the Family SME: Is the Manager's International Orientation Influential?

**Abstract:** Does the family involvement affect exports in the family firm? The literature seems to support this view even if the direction and magnitude of this impact remains controversial. Drawing on the perspectives of agency [Chrisman et al. 2004; Schulze et al. 2001] and stewardship as applied to family firms [Davis, Schoorman and Donaldson 1997] and also on socio-emotional wealth perspective [Gómez-Mejía et al. 2007], this study seeks to contribute to this debate by studying the influence of family involvement on the SME exports intensity. To reconcile the divergent views, our research attempts to assess the role of the manager's international orientation as a variable moderating the relationship between family involvement and exports in SMEs. Based on a hypothetical-deductive approach, the study uses a sample data of 125 family SMEs obtained through a questionnaire. The results show that even if the positive influence of the manager's international orientation is corroborated, its moderating role seems to be limited to only one facet of the construct of family involvement i.e. involvement in management. Moreover, owning-family involvement in management seems to negatively influence exports while some results argue for a positive effect of the family involvement in ownership on exports.

**Key words:** family business, internationalization, exporting, family involvement, international orientation.

### Introduction

The internationalization of activities through exports illustrates the dilemma that owners and managers of family businesses can meet as for firm's growth. As it is

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more risky than national or local growth, internationalization is both feared because it entails a risk of loss of control, but also sought since it is an important vehicle for business development and value creation. Given its ambivalent characteristics (both owner and manager), the owning-family in a family SME would be in continuous search of balance between the pursuit of growth through the implementation of risky investments and risk aversion in order to protect the heritage to perpetuate. While not explicitly focusing on SMEs, the issue of internationalization in family businesses has been the subject of a lot of research leading generally to non-concordant results [Gallo and Estapé 1992; Luostarinen and Gallo 1992; Sharma et al. 1997; Gallo and Pont 1996; Miller et al. 2003]. While some emphasize the virtues of family involvement in the business, others doubt the contribution of the family entity and point out its inefficiencies which are explained particularly by the dominance of emotions and probable non-rational decisions.

Drawing on the perspectives of agency [Chrisman et al. 2004; Schulze et al. 2001] and stewardship as applied to family firms [Davis, Schoorman and Donaldson 1997] and also on socio-emotional wealth perspective [Gómez-Mejía et al. 2007], this study seeks to contribute to this debate by studying the influence of family involvement on the SME exports intensity. Indeed, agency preaches the lack of conflict of interest within family firms even if, in certain situations, the owning-family is likely to impose its views and choices of governance on minority shareholders which lead to agency costs [Chrisman et al. 2004; Schulze et al. 2001]. Besides, while the stewardship theory argues for cohesion and altruism, family firms are not free from conflicts as a family is not a monolithic or homogeneous group of people with congruent interests [Davis, Schoorman and Donaldson 1997]. Besides, excessive altruism can also lead to a different type of agency costs. In addition to these agency costs, the preservation of socio-emotional wealth is purported to affect internationalization [Gomez-Mejia et al. 2010] as it may have greater priority over economic objectives [Sanchez-Bueno and Usero 2014]. SEW includes factors such as the desire to perpetuate family values and the retention of a strong family identity, the preservation of the founder's legacy, or the continuation of the family dynasty [Gomez-Mejia et al. 2007]. These non-economic factors are distinguishing features of family firms that may affect the scope of their businesses [Sanchez-Bueno and Usero 2014]. These three theoretical lenses (agency, stewardship, SEW) are useful to understand the motives and hindrances of the family firm internationalization.

A family business is controlled by one or more families who are involved in the governance or management and have an equity interest in the organization. Although it is necessary to hold a majority of the voting rights or influence related to patrimonial involvement in order to influence strategic decision making, it is not necessary to ensure a strong patrimonial involvement i.e. the ownership of the majority of equity in order to hold power within the firm. For the purposes of

the empirical research which will be discussed in the context of this study, we will waive slightly of the previous theoretical position in order to constitute a sample of family SMEs. Not only will the criterion of influence be appreciated but also the perception that managers have about their businesses.

While it is recognized that family involvement would have a positive or negative effect on internationalization, and in particular on exports, it seems that the intensity and direction of these effects could be understood by taking into account contextual, contingent or moderator variables. Our research aims to make a contribution by analyzing the moderating role that international orientation of the family business manager could exert on the relationship between family involvement and exports. While this manager's attribute is a well-documented construct in international business research, different approaches like SMEs internationalization [Reuber and Fisher 1997; Lloyd-Reason and Mughan 2000], multinationalization [Perlmutter 1969], learning-based models of internationalization [Johanson and Vahlne 1977] or international entrepreneurship [McDougall, Sane and Oviatt 1994] have used different terminology (eg. "international orientation", "global mindset", "transnational mentality", "multinational mindset") but substantively examine the same phenomenon [Levy et al. 2007]. Following Levy et al. [2007], we are focusing on the "cultural perspective" of this construct which suggests that the answer to managing the challenges induced by globalization is to move away from an ethnocentric mindset and develop a global mindset - a mindset that involves cultural self-awareness, openness to and understanding of other cultures, and selective incorporation of foreign values and practices Levy et al. [2007]<sup>12</sup>. While we espouse this perspective, we will privilege the use of the term of "international orientation" at the detriment of "global mindset" as we exclude in our theory setting and empirical study multinationals or global firms which already gained a substantial internationalization level and focus on internationalizing family SMEs that require like other types of SMEs critical resources in order to open to and succeed in foreign markets. In that, manager's international orientation would be a prerequisite for that the internationalization process could start and progress. We choose also to exclude the international entrepreneurship perspective whose scholars assume that the global mindset is characteristic of born global firms [Oviatt and McDougall 1994]. As our focus is on family firms and known that being a family firm require not only the control of votes and involvement in governance but also a relative sustainability which could be demonstrated through generational succession, we conceive that a born global firm could be hardly qualified as a family firm from its inception.

In a hypothetical-deductive approach, our study is based on a sample data of 125 family businesses which responses were obtained through a questionnaire. A set of

<sup>12</sup> These authors advance also a strategic perspective focusing on aspects of environmental complexity and strategic variety stemming from globalization.

hypotheses is derived from the literature and tested through ten TOBIT regression models. Overall, three of the six hypotheses find empirical support. In fact, if the positive influence of the international orientation on exports is corroborated, its moderator role seems to be limited to only one facet of the construct of family involvement namely involvement in management. Moreover, owning-family involvement in management seems to negatively affect exports while some results argue for a favorable effect of the involvement in ownership on exports.

The article is structured in two parts. The first presents the research theoretical framework, justifies the study variables and hypotheses. The second presents the empirical study: it describes the data, presents the methodology and results then interprets the results, presents their implications and suggests avenues for future research.

### **Conceptual framework and hypotheses development**

#### *The involvement of the family in the business*

The concept of family involvement has been exploited in the context of a dominant theoretical approach aimed to characterize the family firm. According to Harvey [1999], the deep involvement of owner-managers in the business is a hallmark of the family firm. In their effort to define and characterize the family firm, Astrachan et al. [2002] argue that it is not appropriate to categorize firms into family and non-family ones but it is more relevant to assess the degree and manner by which the family is involved in the business and affects its operations. The family involvement in the firm influences strategic decision-making in two ways: the involvement in the control of the firm through the ownership of equity and/or voting rights; and the involvement in the running of the business both through management and governance.

Overall, there is controversy in the literature about the impact of family involvement on the internationalization of the firm, and particularly on the intensity of exports. For some authors, the family business is weakly internationalized because of its very nature and particularly its commitment to the local culture and environment [Gallo and Estapé 1992]. All things being equal, family firms would be more conservative and resistant than non-family firms with respect to changes whose consequences could jeopardize their survival [Jenster and Malone 1991]. Thus, for Segaro et al. [2014], the family culture of commitment is likely to reduce the degree of internationalization of family SMEs. Moreover, investing the majority of its wealth in the business and relying on it to satisfy its financial needs, the owning-family may fear internationalization because of financial risks that could affect the firm existence. Besides, this strategic option is a decision that could trigger conflicts among family members. In particular, shareholder disputes can paralyze the

entrepreneurial process abroad from identifying internationalization opportunities to choices on how to exploit these opportunities, which inhibit internationalization [Sciascia et al. 2010]. More generally, the common divergence that may exist between financial and non-financial goals or between corporate goals and family goals could imply conflicts concerning the need to internationalize the business [Zahra 2003]. Disagreements between family members may also arise about the opportunity, scope, pace of internationalization or entry modes to be adopted [Zahra 2003]. Internationalization is usually accompanied by a decrease in short-term profits in favor of an uncertain future profitability [Gallo and Luostarinen 1991]. Moreover, this strategy would be avoided because, *a priori*, it may deteriorate the quality of staff employed, values and organizational culture [Zahra 2003]. In addition, it is not excluded that the internationalization could be a strategy of the family business manager pursuing its own interests over those of the family [Zahra 2003]. Finally, the literature highlights the low control and access to resources including financial ones exhibited by family businesses especially when they are of small or medium size [Gallo and Estapé 1992; Luostarinen and Hellmann 1995; Sciascia et al. 2010].

In contrast, for other authors [Simon 1996, Wang 2010; Chen 2011; Carr and Bateman 2009], because adopting a long-term perspective, the family firm is likely to promote investments which benefits are remote and would be devoted therefore more easily to a strategy of internationalization.

The contradiction of these approaches leads us to distinguish two facets of family involvement and to study their impact on the export activity individually and then jointly. Although they are generally associated in family businesses, it is not uncommon to find, on one hand, professionalized family firms where family managerial involvement is weak and, on the other hand, others whose reins are held by members of a family despite weak equity ownership.

#### *Family involvement in ownership*

In general, the ownership structure of the firm would have a significant influence on strategic decision making and resulting strategic choices and behaviors [Zahra 1996]. Ownership control should align firm's and owners interests and encourages owner-managers to pursue risky activities such as internationalization. Moreover, it allows aligning managerial decision making and owners' interests [Katz and Niehoff 1989]. Unlike a configuration in which managers are relatively free as for the firm's strategy, they would behave differently and take different decisions when owners are actively involved in the firm. If research about the relationship between ownership control of the family firm and internationalization is very rich, it delivers inconsistent results. In a first set of research, family firms are described as being weakly internationalized [Donckels and Frohlich 1991; Luostarinen and Hellman 1995, Simoes and Crespo 2002], export less than non-family firms [Donckels and Frohlich 1991] and when they go international will be entering a smaller number

of foreign countries [Zahra, 2003]. A study by Dosoglu-Guner [2001] attempts to show that ownership structure and export intention are strongly associated and that owner-controlled firms are reluctant to export because owners favor rapid returns on investment while exportation is rather a lengthy process whose fruits are harvested on the long run. Fernandez and Nieto [2006] support this analysis in the case of family firms as they observe that export intensity is negatively related to the extent of family ownership. In a study about foreign investment behavior of Indian firms from the automotive and pharmaceutical sectors, Bhaumik et al. [2007] find that the share of equity owned by the family has a negative effect on foreign direct investment.

If this position is supported by a number of studies, the stewardship approach challenges this view and show that family firms intrinsically comprehend many factors promoting its internationalization [eg. Wang 2010; Chen 2011]. Active research and adoption of an internationalization strategy would be an expression of the goal of maximizing the family wealth. Indeed, according to the teachings of the agency theory, the family, as the firm's owner, should be favorable to risk taking because it benefits solely from generated gains while risk of failure is also supported by creditors. In a stewardship approach, Zahra [2003] observes that if internationalization is necessary to ensure future performance of the firm, the manager will implement it even if the perceived risks are high. The shared vision and comprehension of the firm's mission developed by family members provides support to the manager by reducing the risks associated with long-term strategic options such as internationalization [James 1999]. Altruism enshrined in these firms allows family shareholders to allocate resources to the protection and development of their investment [Zahra 2003] while owner-manager may act as a steward of these resources. Consequently, family control of the ownership ensures that managers can deploy necessary resources to achieve this strategy. In addition, family firms can mobilize their reputation and social capital including long-term relationships with different partners and also with other family enterprises established abroad [Okoroafo 1999] to reduce entry barriers and position their selves favorably in foreign markets. Finally, the relative stability of family ownership should imply a weak turn-over of managers whose future is bound to the firm and who may accordingly analyze the internationalization strategy more rationally. Besides, the possible reluctance of the owning-family about this strategy and also the perceived risks may decrease. Supporting this assumption, Carr and Bateman [2009] found that the international configurations of the largest world's family firms are associated in the long term with a better performance (ROI). Other studies found that the percentage of equity held by the family is positively correlated with the degree of internationalization [Zahra 2003; Chen 2011] and geographic scope [Zahra 2003]. For Simon [1996], high performing family firms adopt a strong global orientation which allows them to achieve high foreign sales.

Accordingly, our research formulates the following hypothesis:

H1a: The degree of family involvement in ownership positively influences export intensity.

*Family involvement in management*

Family involvement can take various forms [Zahra 2003]: some family members may be managers or directors or occupy certain operational management positions. Some studies have attempted to study the impact of this variable on internationalization [Zahra 2003; Abdellatif et al. 2010]. For example, Zahra [2003] observed that family involvement index is positively correlated to the degree of internationalization but negatively influences the number of penetrated markets [Zahra 2003]. Cerrato and Piva [2010] confirmed the existence of a negative relationship between family involvement in management and the decision to internationalize the SME. In the same vein, for Sciascia et al. [2010], this involvement negatively influences international entrepreneurship in family businesses. Overall, the results seem somewhat contradictory and if family members are the source of human, financial and social capital important for the family firm [Kim and Gao 2013] and also provide many resources and competences to the organization (commitment, loyalty, trust, specific expertise, capital and financial or physical assets), their role in corporate strategy and particularly in internationalization does not seem very clear.

According to agency theory, family involvement in corporate governance would be beneficial because of the natural alignment of interests between managers and owners about the growth opportunities and risk. Therefore, managers are more motivated not to behave in an opportunistic manner [Schulze et al. 2001]. Kinship moderates self-interest and conflicts that it may imply as it is reflected in the loyalty and commitment vis-à-vis the family and the business. For example, the need to monitor the behavior of an agent who is a member of the family is reduced because communication and cooperation are facilitated by familiarity and intimate knowledge. Zahra [2003] argues that if involvement in ownership allows the manager to deploy necessary resources to internationalization, involvement in management can be used to reduce managerial opportunism. By reducing informational asymmetries between the manager and the other family members, involvement allows family members not only to get the information they need to adhere to the internationalization strategy but also knowledge necessary to the evaluation of this strategy [Zahra 2003]. Moreover, managerial involvement of family members allows for the development of psychological ownership and improves the appraisal of challenges encountered by the firm and also its strengths, weaknesses, resources and competences [Zahra 2003]. This would be particularly true for internationalization. Therefore, altruism described by stewardship theory [Davis et al. 1997; Salvato 2002] can push owner-managers to internationalize their

firms in order to perpetuate it, protect it and make it more legitimate and profitable for future generations.

The benefits of involvement in management as addressed by agency and stewardship theories are however mitigated in different ways. For example, Sharma et al. [1997] note that because of the family involvement, the goals and objectives of the family firm may deviate from the objective of firm value maximizing that managerial firms are devoted to. Indeed, if the goals of family firms are both financial and non-financial [Tagiuri and Davis 1992], they may also evolve depending on the interaction between the family and firm needs. Consequently, Chrisman, Chua and Litz [2004] argue that agency problems in family firms are more complex precisely because of the juxtaposition of economic and non-economic goals. For their part, Schulze et al. [2001, 2003] show that family management, despite its advantages, exposes the firm to an agency risk of a different nature. First, altruism entails a risk of adverse selection due to the effect of private ownership on the efficiency of the labor market. Indeed, the family business would tend to employ opportunistic or low competence agents as they want to promote shareholders to management positions [Salvato 2002]. In fact, as the preservation of SEW represents a key noneconomic reference point for decision making in family firms [Berrone et al. 2012], they may be inclined to make strategic choices that cannot be explained by applying an economic reference point. Moreover, as they feel less or no corporate control market discipline, owner-managers are likely to make decisions that may harm them and their family [Jensen 1994]. Over time, the economic incentive to maximize personal utility can blur the perception of the owner-manager of what is better for the firm and the family; He may confuse his personal interests with the interests of the firm and the family. For example, an aged manager can avoid undertaking investments that other family members encouraged because he perceives them as too risky or as they personally require him to develop new skills [Schulze et al. 2001].

In addition, a family owning and running a business is often not a monolithic or homogeneous group of people with converging interests. In fact, it is very common that conflicts of a more or less severe intensity may occur within the family. They may involve family members of the same generation or of different generations or also oppose family members to external employees [Gersick et al. 1997]. When occurring among family members occupying different roles in management and governance, conflicts create difficulties affecting collaboration and information sharing. Besides, altruistic behavior between family members can fade encouraging family members to work towards achieving their own goals at the expense of general family well-being [Schulze et al. 2001].

Finally, the literature emphasizes that family members' involvement in formal governing bodies, like the board of directors, may be only a formality. As the

real strategic decisions would be taken in informal strategic areas, this body does not seem effective and its role would not have positive influence on family firms' strategy [Melin and Nordqvist 2000]. In particular, when it is dominated by the owning-family, its role seems even to be unfavorable to business development and implemented strategies. For example, the study of Mustakallio and Autio [2001] showed that family involvement in this monitoring body has a negative influence on the achievement of its missions. Calabro and Mussolino [2011] observe also the weakness of the board mission in family firms and advocate for the inclusion of outside directors in order to increase exports [Calabro and Mussolino 2011].

All these arguments lead us to believe that:

H2a: The degree of family involvement in management negatively influences export intensity.

*The interaction of involvement in ownership and management*

Few studies have differentiated the involvement in ownership and management as research have simply confused them or at best implicitly assumed a cumulative effect [Abdellatif et al. 2010; Sciascia et al. 2010]. For some authors, the interaction of these two areas of family involvement has a positive impact on internationalization. Zahra [2003] argues, for example, that involvement in ownership provides the manager with the power to internationalize the firm while involvement in management allows him to gain the knowledge and competences necessary to make strategic choices related to internationalization. Their combined effect would be beneficial and commit the firm to higher levels of internationalization.

However, many arguments among those mentioned above highlight the risks of entrenchment, opportunism, inaction or stagnation associated with the involvement of family members in management or monitoring bodies. Stewardship behavior of the manager and/or members of his family and the resulting altruism can be transformed into means of a non-rational management because emotions and the desire to take primarily into account the family members' needs may dominate. Thus, if the concentration of firm's ownership in the hands of a family would not in itself be against export activities as the arguments presented above tend overall to credit the hypothesis of a positive impact, involvement of the family in management could mitigate or even reverse this impact and create favorable conditions of an inward orientation or a strategic rigidity thus inhibiting export.

In light of these arguments, we believe that:

H3a: The interaction of the involvement in ownership and the involvement in management would have a negative impact on export intensity.

The diversity of results and even contradictions identified as for the influence of family involvement on firm's internationalization and particularly on exports was analyzed and justified by different theoretical approaches such as agency and stewardship. Taken together, these findings suggest that certain «conditions» or

existing organizational circumstances in the family firm can promote a particular behavior of family members and firm's manager [Kim and Gao 2013]. It is probably useful to consider the internal contingencies that may moderate the relationship between family involvement and exports. Particularly, we believe that the manager's international orientation is a variable that can contribute to a better understanding of the intensity and direction of the relationship between family involvement and exports and may be useful to reconcile the divergent views.

*The manager's international orientation and the internationalization of the firm*

An important strand of literature on the determinants of exports in SMEs is concerned by the role of the manager in the different stages of the export process. By influencing firm interactions with the environment [Kelly et al. 2000], his characteristics and attributes are identified by numerous studies as factors that lead him to engage the firm in international activities. Many individual characteristics (such as experience, education, skills, and travels), attitudes and international perceptions (as for risk or costs and opportunities of international development) are then identified and validated by empirical studies. Among these determinants, international orientation is a well-studied variable in international business research [Reid 1981; Dichtl et al. 1990; Collinson and Houlden 2005; Acedo and Florin 2006; Belso-Martinez 2006; Acedo and Jones 2007; Ruzzier et al. 2007; Knight and Kim 2009]. For these authors, managers and entrepreneurs familiar with foreign markets through travel, language knowledge or through living experience abroad will have a more positive attitude towards considering international expansion as an opportunity for growth than those without such experience. For Belso-Martinez [2006], this international orientation leads to a proactive attitude by managers, which can become a dynamic element that minimizes and even eliminates some of the traditional stages established by the Scandinavian Model. Thanks to past international work experience or established personal networks and relationships abroad, managers would possess the skills necessary to conduct international business arrangements [Manolova et al. 2002]. For Knight and Kim [2009], international market orientation and international orientation seem to be the strongest indicators of International Business Competence (IBC). For these authors, international orientation has a wide scope of influence on SME business activities. That is, having a strong international orientation can shape organizational culture. The results of Miocevic and Grnjak-Karanovic [2011] suggest that cognitive capability i.e. global mindset and information-based capabilities are clear prerequisites for successful SME internationalization process. In the same vein, Moen and Servais [2002] found that early exporters scored more highly on global orientation measures than those who took longer to commence internationalization. Similarly, Acedo and Florin

[2006] explain that the innovative behavior associated with international expansion of SMEs is caused primarily by the proactive personality of the entrepreneurs and their international orientation. These numerous studies show that the international orientation posture positively influences the firm's degree of internationalization and exports, in particular. Recently, Larimo [2013] lists 31 empirical studies examining the link between managers' international orientation and export activity. It appears from this literature review that 23 studies found a positive influence and none of them obtained a negative effect while 8 showed insignificant results. Therefore, it is generally admitted that this variable has a positive impact on exports.

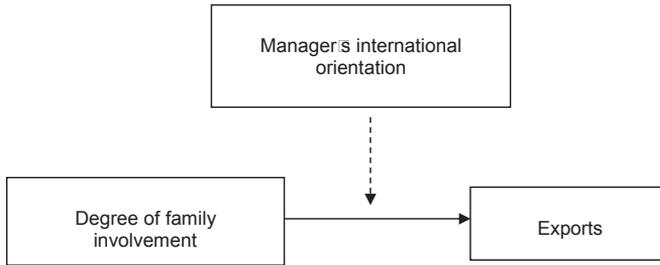
If these studies focus on any type of firm without distinction, it is reasonable to expect that this positive impact should be observed for family SMEs. In his empirical study, Larimo [2013] supports this argument by observing that if the international orientation of family business managers is lower than that of non-family business managers, it still influences favorably exports intensity. This is to our knowledge the unique study to have studied the impact of this variable, among others, on exports in the case of family firms. It seems essential to focus on this variable and evaluate not only its influence on export intensity but more specifically the possible moderating role it may play as for the relationship between family involvement and export intensity. This orientation should act as a catalyst or accelerator of international business activities by minimizing the risks perceived by members of the owning-family and thus engaging the firm towards export.

If no research has been dedicated exclusively to the study of this variable, several studies in the field of family business evoke the notion of «family culture favorable to international development» [Swinth and Vinton 1993; Gallo and Pont 1996; Montemerlo and Corbetta 1995]. Without explicitly discussing the role of the manager, these studies emphasize the role of the family's international culture as a stimulant of the firm's motivation to acquire a substantial and stable international position [Corbetta and Montemerlo 1995]. Gallo and Sveen [1991] suggest that unless family businesses have “international predispositions”, they would be reluctant to monitor global changes or integrate them into their domestic decisions. Thanks to its «stock» of knowledge and international attitudes, the owning-family should positively influence the internationalization process by allowing the organization to be more flexible. A strong international culture can help to overcome the psychic distance and allow for a broader market and internationalization knowledge [Corbetta and Montemerlo 1995].

The rationale behind this positive effect is that international orientation could moderate the perceived risk pertaining to international expansion. For example, in their empirical study, Acedo and Jones [2007] found that international orientation lead to higher levels of proactivity and a lower perception of risk. Their results show that internationally-oriented individuals are generally better informed and therefore

more likely to behave proactively and be less concerned, or at least better informed about risk in relation to international opportunities. Consequently, the openness of the owner-manager and the richness of his international orientation would resolve the dilemma of «protection vs development» in favor of development which despite its risk would permit the growth of the family's wealth and its perpetuation.

**Figure 1. The moderating Role of manager's international orientation**



Source: own work.

Therefore, it is possible to believe that international orientation can enhance the positive influence of involvement in ownership on export intensity while minimizing the negative effect played by involvement in management. In sum, the following three hypotheses are proposed:

H1b: The manager's international orientation moderates the relationship between the family involvement in ownership and exports; when it is high, the family involvement in ownership would have a positive impact on exports.

H2b: The manager's international orientation moderates the relationship between the family involvement in management and exports; when it is high, the family involvement in management would have a positive impact on exports.

H3b: The manager's international orientation moderates the relationship between the family involvement (both in ownership and management) and exports; when it is high, the family involvement would have a positive impact on exports.

## **Methodology and results**

### *Methodology and sample*

The study is based on a set of 125 French family SMEs<sup>13</sup> issued from a sample of 168 responses to a questionnaire survey conducted online in 2003. The surveyed

<sup>13</sup> This study is concerned about SMEs which are defined as firms having a turnover less than 50 million € and workforce of less than 250 employees.

“population” was compiled from various sources (Diane Database, Kompass Database, French chambers of commerce exporting firms’ files). This “population” comprising 10,354 individuals consists of internationalized, exporting or multinational family firms. Three criteria for identification of family firms have been adopted: holding a blocking share of at least 33% of equity; involvement of at least one owning-family member as an executive or a manager; self-identification of the firm as a family firm. Two emailing waves were made and the respondents i.e. managers were invited to connect to the online questionnaire and respond to the survey. 168 complete responses were received of which 128 firms were finally classified as family firms<sup>14</sup>.

88 companies (70.4% of the sample) are in manufacturing, 29 others operate in the trade sector and 8 are service firms<sup>15</sup>. The quite heterogeneous sample is composed of both young family businesses and older ones founded in the 18<sup>th</sup> century. The average age is 50 years and thirteen companies (10.5% of the sample) were founded before 1900. Internationalization year is on average about 20 years after the foundation year. For half of the firms in the sample, this period preceding the trigger of internationalization is less than 9 years. International experience, expressed by the number of years of operation abroad, is on average about 30 years and the average export turnover is 32.09%.

### *Dependent variable*

The dependent variable of the different models – which will be described below – are the firm’s export intensity expressed in terms of sales abroad. Our study relies indeed on only one indicator of the degree of internationalization because the sample consists exclusively of SMEs opting infrequently for takeovers or development of subsidiaries abroad [Brouthers et al. 2009; Reuber and Fisher 1997]<sup>16</sup>. Indeed, the most frequently used operation mode is direct export (used by 88% of firms) and only 17 firms (approximately 13.6% of the sample) have opted for the establishment of subsidiaries during their internationalization process.

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<sup>14</sup> The chosen means of contact (web survey) produces a quite high non-response rate compared to a conventional mail surveys. Taking into account 2441 undelivered e-mails (due to incorrect or not updated addresses at the time of the survey), a response rate of 2.12% is computed (168 / (10354-2441)).

<sup>15</sup> In fact, these three aggregated sectors were created based on the following actual activities (French NAF 2003): Manufacturing (Mining: 0.8% of total firms; Manufacturing: 68%; Construction: 1.6%); Trade (Commerce: 21.6%; Transport and communications 1.6%); Service (Real estate and business services 6.4%).

<sup>16</sup> This is indeed only one among the numerous dimensions of the internationalization degree. Many authors (such as Sullivan 1994) pointed out the disadvantages of a unidimensional measure of the concept of internationalization and recommend a multidimensional measure reflecting the performance, structural and attitudinal dimensions.

### *Independent variables*

- Degree of involvement in ownership (DIK): The degree of involvement in ownership is measured by the percentage of equity held by the owning-family. This ratio is measured by a quantitative variable obtained from the Diane database. The owning-family is either explicitly identified in Diane as the firm's reference shareholder or identified by comparing the majority shareholder's name with the surname of the executive(s). This variable has a mean of 68.7%.
- Degree of involvement in management (DIG): This variable is typically measured by the share of executives from owning-family and/or the share of operational managers and/or directors participating in governance bodies. In our study, the degree of family involvement in the management is measured by the relative weight of family members involved in board of directors. This choice was rendered necessary for two reasons. First, conceptually, we had to avoid redundancy between this independent variable and the moderating variable - which measures a manager's attitude - all the more that the quasi-totality of our sample's SMEs are directed by a family manager. Then the integration in our regressions of such a variable whose variance is low may have produced insignificant results. 102 companies (80.8% of the sample) declared adopting board of directors or an equivalent monitoring body. We observe that the average influence of owning-family members within these boards is 77.43%<sup>17</sup>.

To reduce multicollinearity between the interacting variables (independent and moderator) and the various multiplicative terms to be implemented in our models, it is recommended to center all variables [El Akremi and Roussel 2003].

### *Moderating variable*

Dichtl et al. [1990] elaborated a measure of international orientation which comprehends objective and subjective characteristics. Objective characteristics are: age, level of education, command of foreign languages, vacations spent abroad, longer stays abroad and number of previous jobs. More recent studies [such as Acedo and Jones 2007; Belso-Martinez 2006] focus on educational level, languages spoken, experience abroad and likeness to travel. Sometimes, the foreign origin of the entrepreneur is an indicator of his international orientation [Cavusgil 1984; Lim et al. 1991; Bloodgood et al. 1996]. We chose to measure manager's international orientation responses to the following items:

- Languages: Number of languages practiced by the manager.
- Travels: Average annual number of trips abroad made by the manager.
- Origin (binary): Does the manager's family have a foreign origin?

In total, the score for this variable is obtained by aggregating the values for these

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<sup>17</sup> Therefore, the various models incorporating the variable DIG will be limited to 102 firms. A *listwise* procedure is indeed adopted.

indicators via a principal component analysis<sup>18</sup> – the first two (languages, travel) being standardized. The scale showed acceptable reliability as Cronbach's alpha was 0.563<sup>19</sup>. For specialists, when a scale is in the development stage, a Cronbach's alpha equal to 0.5 indicates a low internal consistency but can be acceptable [Nunnally 1978, George and Mallery 2003]. The number of foreign languages spoken by owner-managers varies between 0 and 6 and has an average of 1.85. The annual number of trips is between 0 and 75 with an average of 6.72 trips per year. The observation of the characteristics of the synthetic variable shows a minimum of -1.29 and a maximum of 4.93, the median being -0.194.

### *Control variables*

Thanks to the resource-based of the firm [Barney 1991], it is possible to conceive internationalization as a strategic process mobilizing resources in general and distinctive resources more especially [Lorino 1996]. For Welch and Luostarinen [1988], resource endowment explains the low international orientation of small businesses and the more intense of largest ones. The latter are more likely to initiate earlier their internationalization process which may evolve faster. For their part, Andersen and Kheam [1998] observe that firms controlling a weak resource base don't manifest any intention to expand overseas. Among the resources and skills critical to internationalization and exports, organizational learning has been highlighted by many studies. For example, Tallmann and Fladmoe-Lindquist [1994] advocate that the interest in internationalization and learning capability are as important as tangible resources in the context of international business development. Indeed, firms with limited resources and capacity for organizational learning do not pursue a meaningful international or multinational development because they do not possess the necessary internationalization knowledge.

Consequently, our study mobilizes the following four control variables:

- Firms' size which can provide information on firm's maturity and development of its resources and explain, therefore, a proportion of the variability of the dependent variables. Indeed, for Dhanaraj and Beamish [2003], firm size is a reliable surrogate for the various resources a firm may be endowed with and can be a proxy for quality of management, technological intensity or investment in research and development [Ali 2004]. Specifically to family firms, Claver et al. [2007] observe that larger family firms can reach stages in the

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<sup>18</sup>The PCA shows uni-dimensionality of the construct and produces a single factor explaining 53.38% of the variance.

<sup>19</sup> Since this variable is operationalized by items measured on different scale types, it is recommended to calculate the standardized version of Cronbach's alpha. Indeed, according to Sun et al. (2007), when items are not strictly parallel, the Cronbach's alpha coefficient provides a lower bound estimate of true reliability. This estimate may be further biased downward when items are dichotomous.

internationalization process which require a higher degree of commitment. We chose to measure size through total sales.

- Then, we controlled for firm's age as Yip, Biscarri, and Monti [2000] found that older firms have relatively more international market commitment and organizational resources and then should manifest a higher level of international involvement. For these two control variables, we used a logarithmic transformation that would reduce the potential distortion in the results caused by outliers.
- In addition, organizational learning was measured through a four item Likert scale trying to measure learning practices used by firms during their internationalization<sup>20</sup>. The unidimensional scale (a PCA produced a single factor explaining 47.71% of the variance) shows acceptable reliability according to the Cronbach's alpha criteria (0.63).
- Finally, because internationalization may vary by industry, we included two dummy variables reflecting the firms' main industry group (trade and services), "manufacturing" being the reference sector.

Table 1 provides variable correlations and multicollinearity diagnosis.

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<sup>20</sup> Item 1: *Our know-how relating to internationalization was acquired through the hiring of internationally experienced managers* ; Item 2: *Our know-how relating to internationalization was acquired through a training program for managers to be responsible for internationalization* ; Item 3: *Our know-how relating to internationalization was acquired through a collective effort of reflection and transposition of knowledge and past experiences* ; Item 4: *Imitating decisions of more experienced firms has allowed us to gain experience and knowledge about international operations* .

Table 1. Variable correlations and multicollinearity diagnosis

	Mean	E.T	1	2	3	4	5	6	7	8	9	10	VIF
1. Export	32,095	26,622	1,000										
2. Intern.Orient (IO)	0,000	1,000	,279**	1,000									1,050
3. DIK	0,000	1,000	0,058	-0,089	1,000								1,118
4. DIG	0,000	1,000	-0,083	0,024	-0,089	1,000							1,046
5. Learning	0,000	1,000	0,161	0,069	-,281**	-0,067	1,000						1,213
6. Manufacturing	0,704	0,458	-0,152	-0,138	-0,037	0,014	0,110	1,000					-
7. Trade	0,232	0,424	,176*	,166	0,054	-0,036	-0,106	-,848**	1,000				1,074
8. Services	0,064	0,246	-0,020	-0,033	-0,025	0,043	-0,022	-,403**	-0,144	1,000			1,158
9. Ln(Sales)	8,121	1,231	-0,039	0,070	0,019	0,075	,234**	0,138	-0,032	-,202*	1,000		1,152
10. Ln(Age)	3,664	0,687	0,019	-0,036	0,019	0,134	,183*	,204*	-0,052	-,291**	,246**	1,000	1,200

\*\* Correlation is significant at 0.01 (bilateral)

\* Correlation is significant at the 0.05 level (bilateral)

Source: own work.

*Results and interpretations*

To test our hypotheses, TOBIT multiple regressions were performed<sup>21</sup>. The two-step procedure of “moderated multiple regression” was adopted [El Akremi and Roussel 2003]. First, a regression including control variables, the independent and the moderator variables was performed. Then, in a second step, the product of independent and moderating variables representing the non-linear interaction effect was integrated. The moderator role is established if the regression coefficient associated with the interaction effect is statistically significant and the coefficient of determination ( $R^2$ ) associated with the second regression is better than the first. The procedure was carried out three times in order to detect the possible moderating effect of manager’s international orientation on DIK, DIG then the two variables simultaneously. Before performing the regressions, the independent variables were examined for collinearity. Results of the variance inflation factor (all less than 2.0) suggest that the estimated  $\beta$ s are well established in the regression models. Table 2 exhibits the results of the TOBIT regressions.

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<sup>21</sup> This choice is justified by the nature of the independent variable whose values are in the range [0, 1]

Table 2. TOBIT regressions

	H1a	H1b	M3	H2a	H2b	M6	H3a	M8	H3b	M10
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10
Intercept	42,00** (2,06)	47,01** (2,39)	46,35** (2,35)	23,64 (1,03)	25,29 (1,13)	30,39 (1,37)	24,95 (1,09)	24,15 (1,10)	26,62 (1,20)	26,84 (1,24)
Learning	6,12** (2,35)	5,3** (2,12)	5,28** (2,11)	8,19** (3,14)	7,52** (2,95)	7,40** (2,96)	(3,45)	(3,93)	8,48** (3,27)	8,82** (3,48)
Trade	13,35** (2,36)	10,18* (1,86)	10,45* (1,90)	4,47 (1,30)	5,50 (0,97)	5,55 (1,00)	6,89 (1,21)	7,96 (1,45)	4,92 (0,88)	2,13 (0,38)
Services	0,83 (0,08)	5,97 (0,58)	6,22 (0,60)	16,68 (1,42)	17,44 (1,53)	15,81 (1,41)	18,84 (1,61)	15,57 (1,38)	19,60 (1,72)	18,23 (1,64)
Ln(Sales)	-2,02 (-1,00)	-3,12 (-1,56)	-3,17 (-1,59)	-1,42 (-0,63)	-1,95 (-0,89)	-1,93 (-0,89)	-1,34 (-0,60)	-0,90 (-0,42)	-1,87 (-0,86)	-1,96 (-0,92)
Ln(Age)	0,85 (0,23)	2,10 (0,58)	2,33 (0,64)	4,17 (1,12)	5,03 (1,38)	3,62 (0,99)	3,66 (0,99)	2,67 (0,75)	4,52 (1,25)	4,62 (1,31)
DIK	2,71 (1,09)	3,566 (1,49)	3,53 (1,48)				4,14 (1,57)	5,47** (2,13)	4,13 (1,62)	3,20 (1,27)
DIK				-1,79 (-0,73)	-2,06 (-0,87)	-1,38 (-0,58)	-1,33 (-0,54)	0,58 (0,24)	-1,61 (-0,68)	0,02 (0,01)
IO		7,78*** (3,36)	7,71*** (3,33)		5,87** (2,43)	7,18*** (2,92)			5,88** (2,46)	6,41*** (2,74)
DIK * IO			-1,62 (-0,60)							
DIK * IO						4,52** (1,97)				
DIK * DIK								-7,95*** (-2,89)		
DIK * DIK * IO										8,41** (2,29)
n	123	122	122	101	101	101	101	101	101	101
LR Chi2	10,68	21,6	21,96	14,82	20,58	24,37	17,28	25,34	23,17	28,30
Prob > Chi2	0,098	0,003	0,005	0,021	0,0045	0,002	0,015	0,0014	0,0032	0,0008
Pseudo R2	0,0094	0,0191	0,0194	0,015	0,022	0,026	0,018	0,0272	0,0249	0,0304
Log Likelihood	-565,3	-555,02	-554,84	-458,06	-455,19	-453,29	-456,84	-452,81	-453,89	-451,33

\* The coefficient is significant at the 0.10 level

\*\* The coefficient is significant at the 0.05 level

\*\*\* The coefficient is significant at the 0.01 level

T-statistics are in parentheses

Source: own work.

Our regressions result in no significant main effect of involvement in ownership on export intensity (see M1). If the positive effect of international orientation on exports is supported (see M2), its moderating role is not established because the regression coefficient is not significant (see M3). Therefore, H1b is not supported and thus international orientation should be considered as an ordinary independent variable and not as a moderator.

Moreover, if the regression coefficient linking managerial involvement and exports is of the expected sign, it is not significant (see M4), which prevents us from supporting the hypothesis H2a. In contrast, a significant effect of the moderator variable is observed (in model M6: regression coefficient is 4.52 and is significant at the threshold of 1%). Note that obtaining a significant interaction term in the absence of a main effect is acceptable because the direct effect is not conceptually necessary to test a moderating effect [Eg. Covin and Slevin 1989; Tsao et al. 2009]. Therefore, it is possible to say that a strong manager's international orientation makes the effect of involvement in management favorable to exports. Thus, H2b is verified.

Our results confirm the hypothesis 3a since a negative and significant effect of interaction between DIK and DIG is obtained in model M8 (regression coefficient is -7.95 and is significant at the threshold of 0.1%). The model reveals that the observed interaction effect is associated with a positive effect of involvement in ownership on export intensity. In accordance with hypothesis H1a, it is therefore possible to say that ownership involvement positively influences exports but holding together the roles of shareholder and manager seems to be unfavorable to the development of export activities. In sum, taking into account the results of models M1 and M8, we could say that hypothesis H1a is partially supported.

Finally, as expected, models 9 and 10 show that the interaction effect between international orientation and the two facets of family involvement is positive and significant. Therefore, even if holding the two roles of ownership and management seems detrimental to the development of exports (H3a), the influence of manager's international orientation seems to reverse the direction of this effect thus positively impacting the export intensity.

Regarding control variables, we first note the positive and significant effect of learning on export sales. Moreover, thanks to the first three models, we observe that the fact of belonging to the trade sector seems, all things being equal, exerting

a stronger influence on our dependent variable than does the manufacturing sector. Finally, no significant effects of age and sales impact export sales.

## **Discussion and conclusions**

### *Contributions*

Our study extends previous research on family firms' internationalization in that it helps explain how family ownership and management influence exports. Indeed, prior literature does not agree on the impact of family firms on internationalization [Sciascia et al. 2012]. While some scholars have found a positive relationship between family firms and internationalization [Zahra 2003], other studies have shown that the propensity of family firms to internationalize is low [Fernandez and Nieto 2005, 2006; Okoroafo 1999]. We contribute to the literature by analyzing how manager's international orientation may help to integrate these inconsistent empirical results and drive research on this topic. Thus, we incorporate insights from agency theory, stewardship and the socioemotional wealth approach (SEW) into the theoretical framework on the relationship between family firms and exports. A strong manager's international orientation seems to be an asset to our sample's family firms since it results in a higher international commitment expressed in terms for export sales. In all models tested, this variable plays a significant role either as an independent variable or as a moderating variable. These results are consistent with those of Manolova et al. [2002] explaining that owners/founders or managers who have more positive perceptions of the international environment will also be more likely to internationalize their own small businesses.

In accordance with the descriptions of stewardship theory describing the manager as a strategic asset for the family firm, the role of the latter is important for the strategic development of his firm. Therefore, if he has the qualities and skills required, he could be able to lead the firm into new development pathways. In particular, his international orientation is a key skill that induces a positive influence of family involvement in management on export. This variable may constitute a factor permitting to achieve support and commitment to exports from family members involved in management. Dispelling doubts about internationalization thanks to his better knowledge of foreign markets and business practices, the manager may obtain the support of the owning-family and help defeat the forces of stagnation and inertia. Therefore, it is possible for family firms to achieve a successful global position as Carr and Bateman [2009] observed that the top world family firms are not less "worldwide-oriented" in terms of international configurations adopted.

Our research found no simple effect of family involvement in ownership on export sales<sup>22</sup>. Some authors reached a similar result and explained it by the existence

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<sup>22</sup> But as a reminder, a positive effect associated with the interaction with DIG is observed in

of a possible nonlinear relationship (eg. quadratic) between family ownership, family involvement in management and internationalization. For example, Sciascia et al. [2010] show that international entrepreneurship activities of family firms are positively influenced by family ownership until an average level of control (estimated at 53%) and that beyond that threshold this influence becomes negative. Similarly, Carr and Bateman observe that international involvement decreases slightly when family ownership is between 30% and 50% and then increases markedly as compared to non-family firms. Further tests carried out in this sense don't lead to any significant results on the basis of our sample's data. As Sciascia et al. [2010] stated, family ownership may have both positive and negative effects on internationalization. Depending on the level of family ownership, stewardship or stagnation will prevail thus influencing positively or negatively international involvement.

For its part, our research shows that involvement in ownership can play a positive role in increasing exports but in the presence of a strong involvement in management, this positive effect could be annihilated implying a negative influence on exports. When the family assumes its role as an owner and delegates decision-making power, there is a good chance that the goals pursued by the manager will be consistent with value maximizing; in this sense, exportation can be a vehicle for achieving this goal. In contrast, when the family monopolizes all powers by adding to its shareholder role an effective involvement in firm's management, especially through monitoring bodies, there might be a risk of pregnancy of non-economic and/or non-rational goals that could negatively affect the choice of growth strategies like exportation (for example: heritage preservation, succession, etc.). As explained before, appointment of family members in governance bodies may simply reflect an act of SEW preservation as the owning-family feels the obligation to serve its members aspirations or career needs. Besides, as boards may constitute a simple formality because they're heavily dominated by owning families, it is not surprising that their play a non-significant or sometimes detrimental role as for firm's strategic development. Moreover, a strong managerial involvement can be unfavorable to the firm if intra-family conflicts affect the firm and therefore block strategic initiatives. Again, our results show (in M10) that the negative influence of family involvement is reversed by the role of manager's international orientation who can temper risk aversion, "bad" effects of altruism and the effect of potential conflicts.

Note that the poor result about the "simple" effect (in M4) of involvement in management on exports may be due to the measure used i.e. the proportion of family members in boards. It is possible that this structure constitutes for our sample's family firms merely an entrenchment mechanism of the manager and/or the family and don't play an active role. Indeed, despite its valuable potential

contribution, for many family firms, the board is simply set up in order to comply with legal obligations and is totally indentured to the owning-family. Thus, it acts as a rubber stamp and endorses the decisions taken in actual and informal power arenas such as the family's inner circle.

### *Implications*

Our study has several implications for family firm's owners. The very first implication is the invitation to develop an international attitude for the family to which the manager may belong in order to increase international commitment. Indeed, for Acedo and Jones [2007], attention paid to the cognition of individuals towards internationalization may positively affect the speed with which it commences and ultimately reach successful performance. For Nguyn et al. [2006], international orientation is positively influenced by information internalization: firms should adopt market-oriented and learning-oriented approaches in order to place high values on information acquisition and internalization. These approaches would encourage individuals to actively gather information and knowledge from a variety of sources, such as foreign market visits, trade fairs and the internet, enabling the information internalization process [Nguyn et al. 2006]. For Swinth and Vinton [1993], the international orientation of the family grows easily if family members are exposed to the international environment from their early age: for instance, practiced foreign languages and journeys abroad contribute significantly to the development of international orientation. More generally, the "family's international culture" develops through various means as family members' travels, their work experience abroad, their curiosity and openness to foreign cultures. Moreover, belonging to international associations or networks, establishing relationships with family businesses in other countries, younger generations' apprenticeship abroad are practices whose implementation allows the firm and family to widen their international orientation [Swinth and Vinton 1993; Gallo and Pont 1996; Corbetta and Montemerlo 1995; Gallo et al. 2002]. Consequently, if the owning-family implements and develops an orientation and particularly a culture that supports internationalization and prepares the family members for it, this process will be triggered more easily and the internationalization degree achieved will be even stronger.

If not internally developed, firms might instantly acquire international orientation by hiring managers having strong international experience, high levels of education and language abilities [Acedo and Jones 2007]. But above all, Claver et al. [2009] found that long term vision is a factor that favors international behavior which permits progress toward more advanced stages in the internationalization process. Particularly, it increases the likelihood of using entry modes involving a high level of resource commitment.

Manager's international orientation, as a capability of the firm, must be nurtured and perpetuated through generations. Generally, research claims that business transfer between generations could weaken the entrepreneurial spirit and that new generations could be tempted to exploit the achievements of the firm and rest on their laurels especially when their motivation to take over the family business is weak [Ward 1987]. The classical post-succession conflicts would be challenging as they may push successors to focus on their resolution and neglect strategic issues such as openness to international context which would lead to a weaker international orientation. Therefore, it is necessary that the manager could transfer this capability to potential family successors as well as his other tacit knowledge during the process of generational transfer.

#### *Limitations and Future Research*

The study of family firm internationalization and exports in particular has often focused on factors inhibiting this strategic choice – in particular in an attempt to provide counsel to such organizations while they internationalize. Rarely did the research highlight the factors promoting internationalization [Gallo and Pont 1996]. However, despite the supposed rigidity of the family firm, this entity has abundant resources and capabilities playing an important role in its strategic development [Habbershon and Williams 1999]. In particular, the present study shows that manager's international orientation is a driving force for exports in family SMEs.

Our research has certain limitations. First, a major weakness is the absence of a synchronic approach as the dependent and independent variables are measured at the same moment. In that, we assume that the international orientation is a “stable” attitude of the manager and that this orientation is prevailing particularly before internationalization trigger. Measuring this construct before internationalization is simply quasi-impossible for many of the sample's firms. This simplifying approach could be enhanced, in a future research, by implementing a more longitudinal approach which would be valuable to analyze the causal relationships between this variable and internationalization. A second limitation is that the characteristics of the sample may limit the generalizability of the results. Besides, the institutional context surrounding French SMEs may have an influence on results and it may be useful to implement a larger study allowing for country comparisons. Moreover, does the size of firms allow moderating observed relationships? For example, would the positive effect of ownership on exports be different if the sample consisted of SMEs and larger firms? We believe that these are relevant avenues for future research.

Another improvement of our research pertains to the limited reliability of the international orientation construct. The measure of international orientation could be enhanced, for instance, by the use of a psychometric approach such as that used

by Knight and Kim [2009] or Nguyen et al. [2006]. We assumed that manager's answers to the items could be a reliable representation of his views. While this choice is criticizable because of the partiality and subjectivity of respondents it may be avoided in a future research if multi-responses from multiple organization's members are obtained in order to inform about their individual international orientations and the entire firm's international orientation. Furthermore, future research could extend the international orientation construct and try to measure it for the entire owning-family.

Moreover, the models could be improved by incorporating other assumptions and reciprocal relations between variables. Indeed, a structural model could be tested by introducing links between dependent, independent and control variables. Conceptually, this research could be improved by introducing in a unique model variables simultaneously promoting and inhibiting family firm's internationalization. It would be interesting to observe their combined or simultaneous effects on the degree of internationalization of the family firm.

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## Intercultural Challenges Facing the Hospitality Industry. Implications for Education and Hospitality Management

**Abstract:** Hospitality organizations which are increasingly operating internationally create real challenges for their employees and managers to interact and effectively work with people from different cultural environments. Many problems may relate to intercultural communication between managers and employees as well as between employees and hotel guests from different cultural backgrounds. Therefore, the issue of intercultural communication has recently had an increasing reach in the hospitality industry.

Cultural awareness, sensitivity and understanding of cultural differences should be perceived as a critical issue for business success. Therefore, the following questions still need answers from both academics and the business: What kind of challenges does the hospitality industry face in view of the multicultural diversity of its markets? What kind of managers' skills and abilities, particularly in the case of entry-level managers, are strongly needed today to manage effectively multicultural hospitality workforce? And how may educational programs influence intercultural competence development of tourism and hospitality students to interact effectively in a multicultural environment. The aim of the study is to show that cultural diversity of hotel employees and guests may create unique challenges of cross-cultural service encounters, which may provide an opportunity for service differentiation.

The research problem is to find answers to the questions: how may the challenges that emerge from cross-cultural interactions become a source of hotel competitiveness and how may the educational process contribute to the intercultural competence development, to recruit employees who will be able to operate successfully in a multicultural hospitality environment.

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The study problem is discussed in the context of literature review and the previous research conducted in the hospitality setting. Implications for practitioners and educators are also delivered.

**Key words:** challenges, management, hospitality environment.

### **Hospitality industry in a multicultural perspective**

The term “culture” may have a variety of meanings used in different contexts [Nicholls 2011, p. 211]. Generally, beliefs, a way of life, customs which are shared and accepted by people in a given society is what the culture reflects. Culture provides an individual with an awareness of his/her identity, roots, historical background, giving also a sense that one belongs to a certain community [Luka et al. 2013, p. 3]. It regulates and controls an individual's attitudes and behaviors [Choi and Kim 2013, p. 22]. Culture is shaped by many forces, among which religion, political power distribution, strong and charismatic leaders, historians and story tellers are indicated [Poprawski 2009, pp. 31–32].

However, problems may occur when people from different cultural backgrounds misunderstand each other, which results not only from language barriers but is also due to cultural differences. Thus it is important not only to speak the foreign language but also be aware of cultural differences which exist in different countries [Luka 2013, p. 2].

Given the international nature of the hospitality industry, cultural awareness and intercultural communication have become very important, both in relations with hotel guests and hotel employees. There are several reasons which justify why today's hotel professionals should be aware of these interactions and the possibilities of managing them.

*First.* Experiencing cultural differences is perceived as one of the most fundamental motivators for traveling [Steiner and Reisinger 2004]. Over decades, tourism has experienced the continuing growth and diversification becoming one of the fastest growing economic sectors in the whole world [<http://www2.unwto.org/content/why-tourism>]. International tourist arrivals grew by 4.4% in 2014 to 1.135 billion, and UNWTO forecasts a continuing growth in international tourist arrivals [<http://www2.unwto.org/content/why-tourism>].

In 2014, Poland was visited by 16 million foreign tourists, which is 1.3% more compared with the previous year [Charakterystyka przyjazdów... 2015, p. 1]. In 2013, 5.2 million foreign tourists visiting Poland stayed in tourist accommodation establishments, mainly in hotels and similar establishments [Turystyka w 2013 r., p. 141]. These visitors were of different nationalities and socio-cultural backgrounds [Turystyka w 2013 r., p. 52].

Given the growing foreign tourists arrivals, it is obvious that interpersonal interactions between individuals of different nationalities and cultures are likely to

continue. Thus to operate successfully hospitality professionals should understand and empathize with people from different cultural backgrounds.

*Second.* Many hotel chains are seeking expansion opportunities into overseas markets [Hu et al. 2002, p. 31]. The Accor Hotels, for example, as an international hotel group operates globally and has hotels in numerous capitals and major cities throughout the entire world [www.accorhotels-group.com/en/franchise-and-management/our-contracts/our-franchise-contract.html]. Thus moving to a different country for an international assignment is possible when working for a global hotel group. However, the global expansion of hospitality companies may cause that hotel managers are sent by their organizations to fundamentally different culture destinations than their home environment [Weber and Ladkin 2010, p. 412]; they are often transferred overseas, where they are immersed in a foreign culture immediately [see Taylor and McArthur 2009, p. 6]. Thus, given the global nature of the hospitality industry, hospitality managers need to be flexible in the context of a geographical location [Jenkins 2001, p. 19] and have to adjust to the new living environment and business operations in a given country. They need to be aware that other employees may not share their language or cultural background. Therefore, to be successful and manage with clarity and impact, the proficiency in the target language and some experience in the culture where they will be working is essential. For example, in a study by Wei-Tang (T.) Hu et al. [2002, p. 36], the majority of study respondents (expatriate hotel employees) agreed that learning three things was important to understand the business operations in Taiwan: the philosophy of gift giving and receiving, the Taiwan business protocol, and the business language.

*Third.* Continued globalization is increasingly resulting in cultural diversity of the hospitality workforce [Weber and Ladkin 2010, p. 411]. One of the worldwide operating hotel chains – the Hilton Worldwide – claims that “with more than 300,000 owned, managed, franchised and corporate Team Members across more than 93 countries, we are by nature diverse” [http://jobs.hiltonworldwide.com/en/why-choose-us/workplace-diversity/culture/?centry=united-states]. Whereas the Accor hotel group, indicates that they employ 180,000 workers in more than 92 countries and offer almost 100 professions across 5 continents [http://www.accorhotels-group.com/en/recruitment-and-careers.html]. As a result, many cultures have to work together and communicate during daily duties. This cooperation and communication is critical in the hospitality business where customers are served by many employees, who in turn have to be supported by other staff [Choi et al. 2013, p. 411]. Bill Faulkner and Anoop Patiar [1997, p. 104] underline that to serve guests and resolve their problems, contact employees are usually required to communicate with staff from other areas. If cooperation between departments fails due to cultural differences and communication misunderstandings – contact employees may not be able to function effectively, especially when service failures occur and

an immediate recovery action is needed. This “moment of truth” may negatively influence customers’ service experience, leading to guests’ dissatisfaction and even their decision to leave.

*Fourth.* Well-managed human resources are the key to company effectiveness and competitive advantage. In the hospitality industry, which is labor-intensive, human resource management is more complex [Casado 2001, p. 29] and strongly depends on effective communication [Wolvin 1994, p. 195]. However, lack of understanding of cultural differences may lead to many communication misunderstandings and ineffective practices in managing, motivating and rewarding culturally diverse employees [Lee and Chon 2000, p. 126], which in turn may result in employees’ job dissatisfaction and frustration. When employees’ frustration grows, turnover may increase and product and service quality suffer [LeBlanc et al 1995].

Summing up, in light of a growing number and intensity of intercultural interactions, well-developed intercultural competence is very important to function effectively with people from different cultures [Seymour and Constanti 2002, p. 3]. This means an ability to see and understand differences between one’s own and other persons’ cultures and countries, accepting them and reacting accordingly in both conversation and behavior [Luka et al. 2013, p. 3]. Culturally competent individuals should have a great mixture of attitudes, knowledge and skills that support them to establish good relations and communicate effectively with representatives of different cultures [Taylor and McArthur 2009, p. 6].

### **Cross-cultural service encounters as a source of challenges for the hospitality industry**

Numerous service firms strongly rely on their employees to satisfy customers [Lee-Ross 2003, p. 263]. It is said that thanks to their special talents and abilities to provide high service quality, employees play a key role in gaining competitive advantage [Baron and Armstrong 2008, p. 39]. This is strongly observed in the hospitality industry which is called “people industry” [Kim et al. 2007, p. 421], where hotel services are delivered to people through people [Piasta 2007, p. 326] and the way in which guests are treated directly informs them how important they are for the organization [Martin 2006, p. 63].

However, given the global nature of the hospitality industry [Jenkins 2001, p. 19] and the increasingly cross-cultural nature of consumption in hospitality services [Nicholls 2011, p. 209], employees, every day experience cross-cultural interactions with others, which require from them to be aware of the wide range of different customs and cultures [Taylor and McArthur 2009, p. 6]. Theme more that, a variety of hotel guests from different social and cultural backgrounds may contribute to increasing communications problems and other misunderstandings [Faulkner and Patiar 1997, p. 111], especially that guests from different cultures may have

different preferences and expectations of hoteliers [Torres et al. 2014, p. 260] and may perceive hotel services in different manner.

For example, Edwin N. Torres et al. [2014, p. 260] in their study conducted among hotel guests of different nationalities visiting the Central Florida area showed that although there are some universal service elements, guests from different cultures can also be delighted by different services and amenities. Whereas Scott R. Swanson et al. [2014, pp. 56–63] provided a cross-cultural comparison of Chinese and American hospitality customers and proved that cultural differences may affect the types of critical incidents reported by customers, recovery approaches and even customers' post-incident behaviors.

On the other hand, Nick Johns et al. [2007, p. 155] proved that individuals' predispositions to deliver good service may also be influenced by their ethnic or national culture. Therefore it may be said, that the hospitality industry often depends on both multicultural guests and multicultural workforce [Johns et al. 2007, p. 147]. A service encounter between customers of one culture and employees of another one may result in many misunderstandings and conflicts due to different cultural values and norms [Sizoo et al. 2003, p. 74; Sizoo et al. 2010, p. 10]. The consequences for organization effectiveness may be very serious, such as unhappy customers, frustrated employees and finally the loss of business [Sizoo et al. 2003, p. 74].

Thus, understanding guests' worldviews and cultural-specific needs is strongly needed to decide what kind of service response is the most suitable in a given service situation. It is vital to remember that what delights customers from one culture might not delight others, thus it is important to target various guest groups appropriately, delivering services and amenities according to their preferences [Torres et al. 2014, p. 260]. In this way guests are provided with truly "culture-oriented" service experience, which may lead to their satisfaction and further loyalty.

Summing up, due to the that a service encounter is perceived as the most important determinant of service quality [Johns et al. 2007, p. 147] and customers and employees are strongly affected by each other [Jiang and Tribe 2009, p. 9], challenges for human resources management increase. Hospitality industry has always been perceived as an industry of diverse cultures [Suh et al. 2012, p. 110] where effective communication is pivotal to operate successfully in the multicultural surrounding.

### **Managers in the multicultural hospitality business – communication challenges facing the entry level leaders**

The importance of effective communication is well recognized today and its role cannot be overemphasized especially in the hospitality setting, where improved communication has been identified as the key to quality, productivity and competitiveness [Wolvin 1994, p. 195]. "Dealing with people is one of the biggest

challenges a manager has to face” and communication is often one of the most difficult areas [Kavanagh 2002, p. 22]. Miscommunication may strongly influence business effectiveness, including the loss of prestige, credibility, ultimately leading to financial and other business problems [Lasiński 2000, pp. 19–20].

Literature indicates that 80% of a hospitality manager’s time is spent on communicating activities to hotel guests, peers, superiors and, the most frequently, to subordinates [Lolli 2013a, p. 295; Lolli 2013b, p. 356]. Many argue that interpersonal communication is a pivotal skill for leaders to be successful [Lolli 2013a, p. 297]. Effective communication is a key to successful management of human resources and communication practices are among the most powerful tools for improving organizational effectiveness [Brownell 2003, p. 46].

However, culture and communication are strongly interconnected [Kielbasiewicz-Drozdowska and Radko 2006, p. 76]. In the face of the diversity of the hospitality workforce from varied ethnic, generational, socioeconomic and educational backgrounds [Lolli 2013a, p. 297], the main barriers in effective communication can be created by cultural and language differences that exist in the industry [Lolli 2013b, p. 359]. Therefore, hospitality managers must make a great attempt to integrate the various cultures and proactively synchronize their operational environments with their subordinates’ specific needs, values and lifestyles to achieve high organizational performance and set goals.

Communication and the language in which it is conducted have a great meaning [Poprawski 2009, p. 33]. Functioning in a global and competitive hospitality setting managers require “the language of leadership”, which instills confidence, motivates and inspires [Brownell 2003, p. 44]. Especially when dealing with multicultural staff, they need to be efficient by making their ideas clear and mobilizing all around to achieve common goals and objectives [Lolli 2013b, p. 358]. However, facing the workforce diversity, a need for deliberate and careful communication planning is stressed to ensure that intended meanings are precisely understood by the target audience [Brownell 2003, p. 43]. If the language is used ineffectively, managers’ knowledge cannot be put to use in accomplishing their goals [Brownell 2003, p. 42]. Moreover, due to ineffective interpersonal communication, employees may feel unmotivated, confused, unappreciated and frustrated, which may contribute to their leaving [Lolli 2013a, p. 295].

Using literature review and personal interviews with executive-level leaders in the hospitality industry, Jeffrey C. Lolli identified interpersonal communication skills used by leaders when dealing with various constituents at varying levels and categorized them into four main components: listening, body language, verbal language, and conduct [Lolli 2013a, p. 296, Lolli 2013b, pp. 359–360]. However, the problem is that many talented managers with expertise in their field may not be successful just due to the lack of the ability to communicate effectively [Brownell

2003, p. 41]. This problem seems to touch particularly the entry-level managers. Although effective communication skills are among major competencies needed by hospitality and tourism management graduates [Mayo and Thomas-Haysbert 2005, p. 13], the results of Lolli's studies [2013a, p. 297; 2013b, p. 364] conducted among young hospitality leaders showed that graduates tend to be deficient in their communication skills as entry-level leaders and feel to be underprepared to be competent communicators, including communication with diverse workforce. Among many study results, the entry-level leaders perceived themselves to be the least prepared in "demonstrating appropriate cultural communication skills", and the importance of this skill was rated by them as higher than the level of their preparedness [Lolli 2013b, p. 363].

In the case of Poland, according to a report for Ministry of Sport and Tourism [Losy absolwentów szkół i uczelni kształcących kadry dla turystyki..., 2014], tourism and hospitality employers mostly agree that graduates are prepared to work in the industry at an average level (40%), whereas 16% of them deem the graduates not prepared at all. Among the most important assessment criteria, the language and communication skills were indicated. This may worry the more so that in a study by Ineta Luka et al. [2013, p. 12, 25], among skills and abilities which develop intercultural competence, both students and tourism employers considered as the most important: language skills, an ability to work in a multicultural team, an ability to communicate with clients and colleagues.

However, the above mentioned problems create a serious challenge for hospitality educators, as they are responsible the most to provide a multicultural industry with hospitality professionals who will be able to achieve successful interactions both with their employees and with guests from different cultural backgrounds.

### **Intercultural challenges in hospitality industry - implication for education**

Taken the international nature of the hospitality industry, educators have a responsibility to assist students in becoming qualified managers, also for overseas assignments [Hu et al. 2002, p. 40]. The more that there are students who regard an international career in tourism in the context of working abroad or working for an international corporation [e.g. Hjalager 2003, p. 28, 31]. Thus, students should acquire the skills to recognize the impact of cultural differences before they graduate to avoid difficult situations which may potentially happen due to their lack of sensitivity to cultural differences [Suh et al. 2012, p. 110].

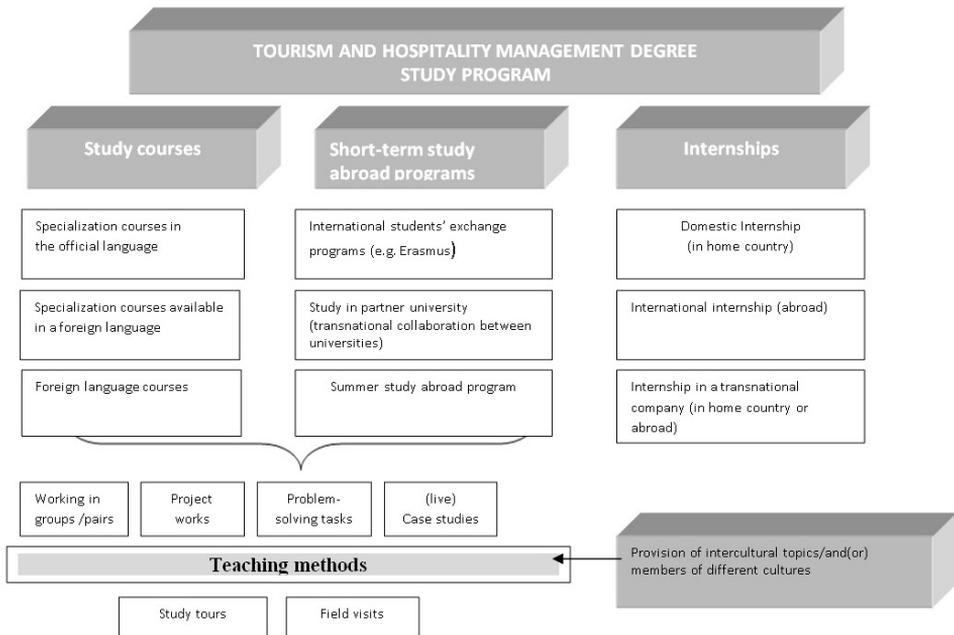
In spite of the fact that hospitality management degree programs should provide future managers with the necessary skills to operate in an increasingly international industry and prepare them to successfully manage in the context of its cultural diversity [Seymour and Constanti 2002, p. 3], there are study results [e.g. Taylor and McArthur 2009, p. 13], which show that hospitality management students

were quite weak in their knowledge of culture (food and customs) and may not be prepared sufficiently to enter the globalized hospitality work environment.

In face of this fact, development of students' intercultural competence is crucial and has to be strongly facilitated by well-prepared university tourism and hospitality programs. Curricula which aim to reinforce students' intercultural competence should include tourism specialization courses, language courses and students' internships (practical working experience) [Luka 2013, p. 5]. This educational approach should give students an opportunity to gain and develop cultural knowledge, experience, awareness, and sensitivity, which are all strongly required to communicate and work effectively across cultures [Taylor and McArthur 2009, p. 7]. Figure 1 illustrates the point.

In their efforts, educators should remember that to understand the cultural differences and to make a comparison between cultures, students need to understand their own culture first, which may influence their ability to draw parallels between cultures, see and create associations, and thus support a better understanding of other cultures [Luka et al. 2013, p. 4].

**Figure 1. Tourism and hospitality management degree study programs in the context of students' cultural competence development**



Source: own work based on: Hjalager 2003; Luka et al. 2013; Yao-Yi 2015; Ruhanen et al. 2013; Jenkins 2001, Mancini-Cross et al. 2009; Taylor and McArthur 2009; Lolli 2013a.

Taking into account the above, the following recommendations for educators have been formulated:

*First.* Beside the usual core subjects, the curricula should include various tourism specialization and foreign language courses, through which students should have a possibility to acquire knowledge and learn about different countries, their traditions, cultural values, traditional cuisine, religions, folk, business etiquette, etc. and have a chance to discuss problems actually facing foreign countries and different cultures [Luka et al. 2013, p. 23].

*Second.* Educators should align theory and practice more closely and adapt their teaching methods to offer students an approach which would involve more “real-life practice” [Rodriguez-Anton et al. 2013, p. 27] and facilitate students’ development, especially in cooperation and communication skills [Luka 2013, p. 18]. Thus different teaching methods should be applied, such as case studies, group and team work, pair work, project work, etc. [Luka 2013, p. 18]. Other forms, such as role playing, simulations or videotaping supported by later feedback are also proposed [Lolli 2013a, p. 297]. Additionally, educators should attach a high level of importance to interactions between students from different cultures during such learning activities. Thus providing team members from different nationalities and ethnic cultures is strongly recommended, as it may give a unique opportunity to review the problems from the point of view of different nationalities and discuss, compare or analyze the experience of different cultures in a relevant field [Luka 2013, p. 18, 22].

However, the following questions may arise: are home students prepared to work effectively with international students? Can they see benefits that might be derived from working in multicultural groups? How are interactions between home and international students perceived by both sides? The study results by Seymour and Constanti [2002, pp. 8–10] showed that some problems may exist in these issues and there is a need for training and coaching in cross-cultural team-working skills, both for students and for staff [Seymour and Constanti 2002, p. 11].

*Third.* Practical working experience through a possibility to contact and interact with people from different nationalities and cultures is crucial for students’ intercultural competence development. Practical working reflects a period of employment in the industry [Busby and Gibson, 2010, p. 4] when students are exposed to real working life [Solnet et.al. 2007, p. 67] to receive training and gain invaluable job experience in a given field of their future career interest [Zopiatis and Theocharous 2013, p. 34]. After practical training students should gain a better understanding of the industry specifics [Jiang and Tribe 2009, p. 10]. Students of tourism and hospitality management programs should have an opportunity to take an internship abroad and/or in a transnational corporation gaining intercultural experience through meeting and interacting with people from different national

and cultural backgrounds and learning from social interactions with them. It is said that the more such opportunities students have, the more knowledge of intercultural differences they possess and the more open and tolerant they become, developing their intercultural competence [Luka 2013, p.18] which can be constantly updated [Yao-Yi 2015, p. 13]. Therefore, both a variety of times and forms of such experience should be provided as the study progresses.

An opportunity for students to visit different destinations deserves special attention, as it gives them a great possibility to truly interact and communicate with representatives of different cultures both in their own cultural surrounding and in their real-life situations. Experiences of other cultures often prompt individuals to reflect on their own culture [Yao-Yi 2015, p. 15], and thanks to a closer contact, it may be recognized that the first impression of the culture was sometimes misleading [Luka et al. 2013, p. 4]. Moreover, direct experience of other cultures may help students to recognize and understand even the slightest cultural nuances which may be difficult to teach and explain in the classrooms. For managers, understanding these nuances is crucial for establishing the workplace policies and resources that recognize the cultural value of staff members [Perry 2006, p. 78]. Finally, students have a chance to hear and become acquainted with different language accents and have a possibility to hear the English language which is spoken by people of different nationalities [Luka et al. 2013, p. 23], which may help them to avoid further misunderstandings when working with non-native employees, particularly that many members of the hospitality workforce worldwide speak English as a second language [Suh et al., 2012, p. 110], and they may bring their unique communication style, shaped by many factors (e.g. family, education, culture) to using English as a second language [Do you know that you have a unique communication style?..., 2015].

However, Fu Yao-Yi [2015, p. 15] underlines that to design an effective learning experience that promotes intercultural competence, understanding the key factors that contribute to students' development of this competence should be perceived by educators as first. Therefore, in a study conducted among students who participated in a global service-learning course in Kenya, the author discussed factors such as contrast between the two cultures and languages, intercultural competence of visitors and local people, the amount and quality of interaction with local people, as well as the length of the program and housing arrangements as those which seem to contribute to the development of students' cultural competence [Yao-Yi 2015, pp. 12–14]. Among many results it was shown that challenges and hardships that students observed during their stay in Kenya caused reflection on their own values and behavior and developed more empathy and respect toward the local people [Yao-Yi 2015, p. 13]. The contrast between the two cultures and languages seemed to be an important factor promoting the students' development of intercultural competence [Yao-Yi 2015, p. 15].

In a study by Taylor and McArthur [2009, p. 12] as the most useful experience for learning about other cultures students indicated spending some time in another country (as tourists, undertaking jobs/internships abroad, participating in foreign study programs) and conversing with others who had spent time abroad (friends, family members, classmates). Electronic media as well as eating at ethnic restaurants and studying a foreign language were also indicated.

Summing up, hospitality students should be exposed to a wide variety of different nationalities and cultures from the beginning of their study. Social experience gained through contacting and interacting with such people has a great meaning, thus through many activities (Fig. 1), such as participation in students' exchange programs (e.g. ERSMUS), cooperation with foreign partner educational institutions, and international internships, educators should create real possibilities for students to gain experience in international environments representing diverse cultures and traditions. Following Yvette Reisinger and Lindsay Turner [1998, p. 175], "social contact with a culture different from one's own (...) can be an intensely rewarding cultural and learning experience".

### **Intercultural challenges in hospitality industry - implication for business**

Given the international nature of the hospitality industry, organizations that will be unable to successfully accommodate to cultural diversity of both their markets and workforce will be left behind. Hospitality companies need to understand the uniqueness of their global workforce and recognize cultural differences as a source of their business success.

Thus, employees should be primarily viewed as the asset that constitutes value to service firms [Casado 2001, p. 28]; they should be treated as humans with their own feelings, aspirations, personal goals, and priorities in life, etc. [Gursoy et al. 2008, p. 449]. As literature stresses, major hospitality companies understand that human resources are significantly different than other company resources [Gursoy et al. 2008, p. 449]. Many of them seem to be strongly aware of cultural diversity of their workforce, which they value and promote. For example:

- The IHG states that: "IHG is filled with great people. People from different countries and cultures, speaking different languages, driving our company forward around the globe. They make us who we are, so we give them every opportunity we can" [<http://careers.ihg.com/about-ihg>].
- The Ritz-Carlton underlines: "The Ritz-Carlton fosters a work environment where diversity is valued, quality of life is enhanced, individual aspirations are fulfilled (...)" [<http://www.ritzcarlton.com/en/Corporate/GoldStandards/Default.htm>].
- The Marriott International declares that: "Marriott promotes the recruitment, retention, and advancement of diverse employees (...)" [<http://www.marriott.com/diversity/diversity-and-inclusion.mi>].

- The Hilton Worldwide points out: “Our priority is to understand and embrace unique global cultures to ensure that our Team Members are seen, heard, valued and respected (...)” [<http://jobs.hiltonworldwide.com/en/why-choose-us/workplace-diversity/culture/?centry=united-states>].

The growing awareness of diversity and its value should be communicated through the company, implemented into organization’s strategic goals and core organizational values. It should also be promoted in every area and at every level of the hospitality business.

However, without proper training and clear communication employees who face cultural diversity may feel confused and uncertain, which may influence internal operations, customer service and finally guests’ satisfaction. Therefore, it is vital to generate and reinforce an awareness of cultural diversity among hospitality employees through many training and inclusion programs as well as additional initiatives (e.g. celebrating international traditions and customs as in the case of the Hilton Worldwide) [<http://jobs.hiltonworldwide.com/en/why-choose-us/workplace-diversity/culture/?centry=united-states>]. These activities should help employees to recognize and understand the specific views of others and support trust and respect towards representatives of different cultures. Through openness and exposure to culturally diverse points of view, many may feel inspired to propose novel, useful and culture-oriented service solutions. In this way “diversity enriches a hospitality organization by adding new cultures, ideas and alternative methods for solving problems” [Lee and Chon 2000, 126]. The e-learning course Diversity, Inclusion & You by the Hilton Worldwide [<http://jobs.hiltonworldwide.com/en/why-choose-us/workplace-diversity/?centry=united-states>] could be an example, as one providing a number of valuable benefits and tools for employees working in a diverse environment.

The hospitality industry also strongly relies on their managers’ ability to be service-minded and focused on guests [Scott-Halsell et al. 2011, p. 4]. However to provide guests of different cultures with outstanding service experience managers should consider testing for and training in intercultural sensitivity of employees who are involved in cross-cultural service encounters as they provide their foreign customers with better service and their organizations with better results [Sizoo et al. 2003, p. 74]. Steve Sizoo et al. [2003] showed in their study that intercultural-sensitive employees are more attentive to customers’ from other cultures needs; contribute to generate more revenue per foreign customer; their interpersonal skills are more appropriate in a multicultural workplace, they are also more satisfied with their jobs and get more satisfaction from interacting with foreign customers [Sizoo et al. 2003, p. 74] Additionally, providing employees with training with linguistic tools to communicate successfully with customers from a range of cultures is recommended [Nicholls 2011, p. 218]. Moreover, employees should also skillfully

adapt the style in which they communicate to the intercultural contexts in which they find themselves.

Summing up, to manage successfully in the global hospitality business, both the recognition and promotion of the uniqueness of the diverse workforce is needed. However, culture-oriented managerial practices must be undertaken to create competitive advantages based on different people (employees) whose performance significantly influences the guests' hospitality experience.

### **Directions for future research**

The awareness of the existence of many cultures and the ability to understand them is one of the main factors which determine the effectiveness of the hospitality business and should be the focus of future research that may take various directions:

*First.* The commonalities and differences which exist between cultures are perceived as important to understand consumer behavior and perceptions in the hospitality industry [Nicholls 2011, p. 209]; however, there is still little information on the importance of the impact of culture on customer expectations in the hospitality industry [Taylor and McArthur 2009, p. 6, 8]. Therefore, investigating expectations of guests from different cultural backgrounds of hospitality services, especially when visiting Poland, could be very interesting for hotel operators to understand the cultural diversity of their markets expectations and to adapt services accordingly.

*Second.* Managers should also be aware that interactions between customers from different cultures may potentially influence customer service experience and satisfaction; therefore, empirical research in this issue is required, especially that customer-to-customer interaction has rarely been studied in a cross-cultural context and the lack of such research in the case of the hospitality industry seems to be particularly surprising [Nicholls 2011, p. 209, 220].

*Third.* To ensure the Polish hospitality business with well-qualified managers, it seems to be important to identify the key managerial competencies needed for future leaders to operate effectively with people from different cultural backgrounds. Comparing educators' and business perspectives of this issue may be helpful to identify potential gaps and formulate recommendations for both education and its partnerships with business.

*Fourth.* Polish hospitality students' perspective should also be taken into empirical account. As a starting point for educational improvements, it is especially crucial to investigate how they feel to be prepared to work in a multicultural environment and what aspects of their study programs particularly facilitate or hinder their intercultural competence development.

## Summary

This paper showed a wide range of ways in which the term of “cross-cultural” interactions can be perceived in the hospitality industry creating challenges for the business and education. Well- defined study programs should give students a real opportunity to gain knowledge of other cultures and cultural differences and to develop language and communication skills and abilities to work in a multicultural environment. Especially experience of other cultures may significantly influence intercultural competence development, which is vital for their careers [Yao-Yi 2015, p. 8].

In conclusion, appreciation and respect for multicultural diversity and a good understanding of cultural differences is the starting point to manage effectively diverse employees and to provide (through them) diverse guests with excellent service enriching their cultural experience. However, hospitality organizations need to be aware that service encounters should be skillfully tailored to the specific needs of the guests from different cultural backgrounds. When hotel services interact with customers’ culture and are provided in a culture-acceptable manner, then service experience may be strongly enriched. Such a culture-oriented approach may become a source of competitive advantage, as the Marriott group underlines, “Embracing differences is part of the way we do business around the world, and essential to our success (...)” [<http://www.marriott.com/diversity/diversity-and-inclusion.mi>].

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## The “Retro” Trend in Marketing Communication Strategy of Global Brands

**Abstract:** The main objective of this article is to present the relevance and possibilities of using the “retro” trend in marketing communication strategy of global brands, taking into account intercultural environment of companies. In the article the examples of retro-communication of global brands are presented. The results of comparative studies of attitudes of French and Polish consumers concerning retro communication campaigns of global brands are also analysed, taking into account the product category, as well as geographic and cultural consumers characteristics. The results of the research confirm the significance of retro marketing communication in case of global brands in current market conditions and their impact on consumers attitudes.

**Key words:** retromarketing, globalisation, marketing communication strategy, consumers attitudes, brand, brand management.

### Introduction

In period of anxiety connected with economic recessions, political crisis, national conflicts, but also personal insecurity and social pressure, consumers search for the brands that deliver additional value connected with feeling of security and calm. In a postmodern society, the consumer is less interested in maximising profit than enjoying hedonist gratification (like fun shopping in fantasy atmospheres). In this way, with its “re-enchanted offering” [Firat and Venkatesh

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1995, p. 239], “the market acts as a release for emotions produced by projections in gratifying universes” [Badot 2014, p. 226]. The higher the level of insecurity that consumers experience in their current life, the more likely they revert to the past [Baker and Kennedy 1994, pp. 169–171]. Thus, consumers’ insecurity, which is a generalized sense of uncertainty, vulnerability and fear, may result in positive attitudes of consumers towards brands using retro marketing communication that appeals to the past [Zhou et al., 2013, pp. 2406–2407]. Retro trend in marketing communication can help create a tangible connexion to the past by providing the positive nostalgic feelings.

The main objective of this article is to present the relevance and possibilities of using the “retro” trend in marketing communication strategy of global brands, taking into account intercultural environment of companies. In the article the examples of retro-communication of global brands are presented. The results of comparative studies of attitudes of French and Polish consumers concerning retro communication campaigns of global brands are also analysed, taking into account the product category, as well as geographic and cultural consumers characteristics.

Research concerning evaluation of global brands promoted in retro-style was conducted among young (18–24 years old) French and Polish consumers. The authors conducted a study on a group of 200 consumers in France in March 2015 and on a group of 200 consumers in Poland in April 2015, using the indirect method of gathering information by survey technique.

### **Current state of knowledge**

According to Brown [2001, pp. 303–307] “marketing is in the throes of a retromarketing revolution”. The turn of the 21st century has turned out to be a time of “retro shock”, of revivals, replicas, remakes, recreations, reproductions and consequently of looking back to see ahead.

The concept of retromarketing is based on nostalgic attitudes of consumers. The nostalgia as a theoretical construct in the consumer psychological context was prompted by Davis [1979]. According to Davis [1979, p. 18] nostalgia is a “positively toned evocation of a lived past in the context of some negative feeling toward the present or impending circumstance”. He makes reference to the source of the positive emotion evoked by the past and explained that “the nostalgic feeling is infused with imputations of past beauty, pleasure, joy, satisfaction, goodness, happiness, love, and the like, in sum, any or several of the positive affects of being”. Davis [1979, pp. 18–24] postulated also that nostalgia usually occurs in the context of fear, discontent, anxiety, and uncertainty, and it aims at alleviating negative feelings. Several definitions and descriptions of nostalgia have emerged also in the retromarketing literature over the last years. Belk [1990, pp. 669–672] and Divard and Robert-Demontrond [1997, pp. 41–43] include some reference to actual stimuli

(objects, scenes, smells etc.) that may prompt a nostalgic response. Holbrook and Schindler [1991, pp. 330–333], described nostalgia as a time-based preference, more specifically, as “a preference (general liking, positive attitude, or favourable affect) toward objects (people, places, or things) that were common (popular, fashionable, or widely circulated) when one was younger (in early adulthood, in adolescence, in childhood, or even before birth)”. According to Kessous et al. [2015, p. 188], this definition has become the reference. Thus, to integrate into existing products historical codes and symbols is not evidence of regret. On the contrary, according to Maffesoli [2003, p. 125], they reinforce personal identity of a consumer anchored in its roots. It is a stable point, an emotional pillar, a founder or comforting regression to make a new start in anxiety-provoking environment. Despite some differences, most conceptualizations of nostalgia view it as an affective state, mood, or emotion that is somehow triggered by one’s thoughts of the past.

The interest of academic and research communities focuses primarily on the analysis of the use of elements of nostalgia in advertising [Stern 1992; Pascal, Sprott and Muehling 2002; Perrusson 2003; Muehling and Sprott 2004; Reisenwitz, Iyer and Cutler 2004; Marchegiani & Phau 2010; Muehling and Pascal 2011; Muehling 2013; Muehling, Sprott, Sultan 2014]. The results of research conducted by foreign researchers confirm the positive impact of nostalgia on the attitudes and behaviours of consumers in the area of advertising.

Planning of brand marketing communication, being part of marketing management “means taking steps to define the methods of implementing the set marketing targets of a company through the involvement of its real and potential resources in a particular marketing environment” [Grębosz 2008, p. 100].

Nowadays, the marketing communication campaigns should underline the material characteristics of products, but especially supply information about the brand intangible values. Consequently, in promotional campaigns one should stress brand values associated not only with the product itself but with a lifestyle, security, promoting freedom, joy, fun etc. Highlighting the relations of brand with the past can be a vital element of a communication campaign. It allows for reaching potential customers, opinion-forming sources as well as distributors and allows for emphasizing features essential for each of these groups.

The aim of marketing communication is not only to stress brand advantages but also boost the customer’s ego. The nostalgic brand is a source of value added for the customer (reconnection with his past, making the value he believes in more public, thereby telling his story to the members of his group) [Kessous et al. 2015, p. 196].

### **Examples of retro-style in marketing communication**

The companies use retro-style in marketing communication, both on local and global levels. In case of local marketing campaigns, the reference to the past is often

connected with underlining the local authenticity, history and tradition. In case of global brands, retro-campaigns are used especially to emphasise the special brand character, its history and timeless values. The objectives of these retro-campaigns are focused on the development of the brand equity and reinforcement of the brand image.

The Coca-Cola Company has celebrated its 125th year in 2011 through a series of activities in over 200 countries where it operates. Coca Cola's celebration included a retrospective TV ad, outdoor ads, online "Retro Poster Maker" and iconic graphics on-pack. Each element of the campaign was influenced by the brand's rich and iconic heritage over the decades, as well as bringing to life its enduring appeal and celebrating 125 years of bringing happiness in a bottle to consumers [Macleod 2011]. The retro style of this campaign helped to underline intangible values related to this global brand, universal all over the world (Figure 1).

**Figure 1. Retro-style campaign of Coca-Cola**



Source: <http://theinspirationroom.com/daily/2011/coca-cola-celebrates-125-years> [29 Jul 2015].

The owner of Chupa Chups brand has launched in 2012, the retro campaign "Chupa Chups. Now with gum" in order to introduce the new version of product (Figure 2). "The Chupa Chups Now with Gum ad campaign is at once simple and clever. It depicts three models, each of which appeals to a different demographic, playing with their gum in a way that would often warrant a minor chiding from their mothers" [Young 2013].

**Figure 2. The Chupa Chups retro campaign**



Source: [http://adsoftheworld.com/media/print/chupa\\_chups\\_now\\_with\\_gum\\_3](http://adsoftheworld.com/media/print/chupa_chups_now_with_gum_3) [30 Jul 2015].

The Levi's has used retro-style in fall-winter advertising campaign in 2013. The communication campaign paid tribute to two iconic eras of American style: Detroit's '60s Motown musical revolution and the West Coast's sunny '60s style (Figure 3). Levi's underlined the timelessly and iconic character of the brand and associated it with the simple and refined models as well as the message of free and open spirit of the time [<http://www.gorgeautiful.com/levis-vintage-clothing-fall-winter-2013-ad-campaign>].

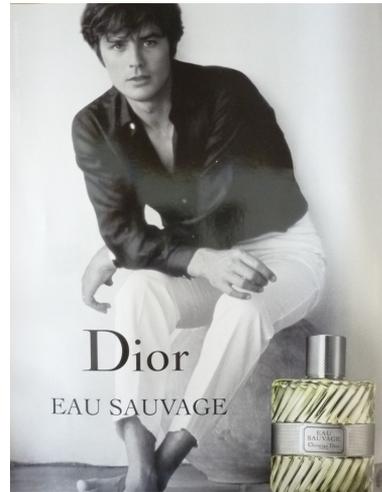
**Figure 3. The Levi's retro campaign**



Source: <http://www.gorgeautiful.com/levis-vintage-clothing-fall-winter-2013-ad-campaign> [30 Jul 2015].

The retro-style is used also by luxury companies that emphasize the exclusive character of its global brands. In 2011 and 2012, Dior launched advertising campaigns of the brand “Eau Sauvage” with iconographic images of young Alain Delon (Figure 4). Dior recycled images of a mythical movie of the famous actor to remember that the product, and with it the Dior brand, have a history. The retro style used in this campaign makes also the connection with the French culture and in consequence creates the nostalgic feelings.

**Figure 4. The retro campaign of Eau Sauvage brand of Dior**



Source: <http://www.arretsurimages.net> [16 March 2015].

By the retro character, the Lancaster communication campaign in 2013 was clear, intriguing and sophisticated (Figure 5). “The ads were filled with retro details that gives the modern city an old school feel, combining the new with a classic edge” [Chen 2013].

**Figure 5. The retro campaign of Lancaster brand**



Source: <http://www.trendhunter.com/trends/lancaster-fall-2013> [31 Jul 2015].

### **Results of empirical research**

The main objective of the empirical study was the comparison of French and Polish consumers attitudes towards brands based on “retro” communication, taking into account the product category. Teaching, young people seems interested in retro marketing cases studies, drawing them into stories and making the dream. However, “from 1990’s onwards, the baby-boomers, a large and affluent market segment, started to buy products from the past, without shameful nostalgia, and were then followed by young people” [Hallegatte 2015]. Thus, the authors assumed the impact of retro marketing is higher for consumers with a longer and richer life experience.

This research was conducted among 400 young respondents (19–24 years old) in France and in Poland in the first and second quarters of 2015. A method of the non-probability sampling, which is based on the convenience sampling was used. The study was in the form of a research experiment, in that its subject were staged examples of brands commercials in retro-style. During the realization of research, the indirect method of gathering information, using a survey technique was applied. The measurement scales designed to assess attitudes towards brands, created by among others Aaker [1991], Cristau [2001], Lacoueille [2000], Haberland & Dacin [1992], Bessemer & O’Quinn [1986], Pascal, Sprott & Muehling [2002], Magne [2004] and Chun-Chin Chen [2014], were applied. The Likert scale was used for the advertisings evaluation. The experiment, however, is proprietary in nature. Respondents were not informed of the actual objective of the survey.

**Table 1. Characteristic of the research among consumers**

Scope of studies	Characteristics - France	Characteristics - Poland
Objective scope	Identification and comparison of the consumers attitudes towards “retro” communication of global brands	
Subjective scope	200 consumers (19-24 years old), students of Université Paris Est (France)	200 consumers (19-24 years old), students of Lodz University of Technology (Poland)
Spatial scope	Paris region	Lodz Province
Time range	The first quarter of 2015	The second quarter of 2015

Source: own elaboration.

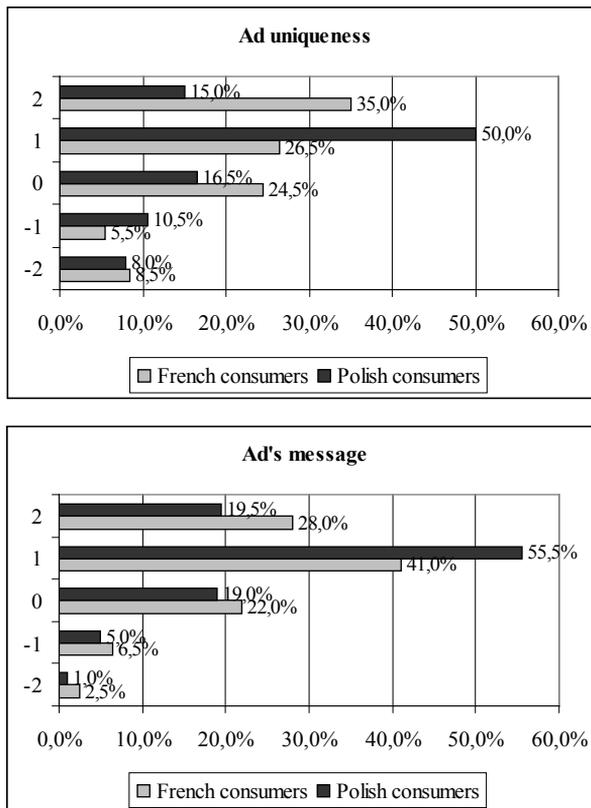
Two well-known global brands from food and textile sector were chosen, that used – among others – the retro-style communication. The advertisings were presented in form of pictures.

To evaluate consumers attitudes towards retro-style communication, the respondents were asked to assess in scale (from -2 (strongly disagree) to 2 (strongly agree)) the following opinions:

- the advertising is unique,
- the advertising is stylish,
- the message of the advertising is simple and strong,
- the advertising leads me to choose this brand.

In majority, both French and Polish young consumers evaluated the retro-style commercial of global brand from food sector as unique with simple and strong message (Figure 6). Clear message referring to the past makes advertising is judged to be exceptional. In the case of brands of food product, young consumers do not expect detailed product characteristics, reference to innovative technologies, or current trends in nutrition. Both French and Polish young respondents highly valued the simplicity of the message. Retro style as a reassuring reference proves to be an authentic differentiator and is positively rated by consumers.

Figure 6. Evaluation of the advertising uniqueness and advertising's message – global brand from food sector

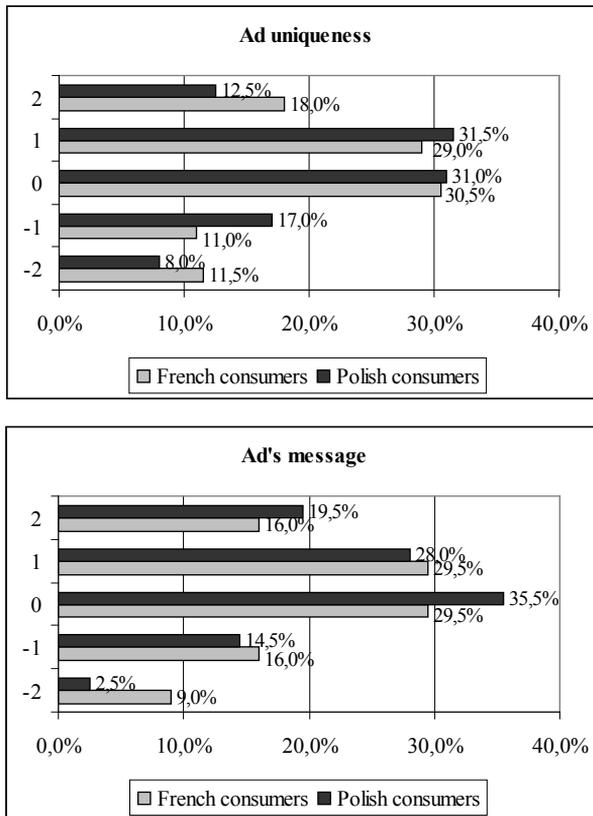


Source: own elaboration based on the research results.

The results were not so evident in case of brand from textile sector (Figure 7). 47% of French respondents agreed or strongly agreed that the ad is unique and in case of Polish consumers, it was 44%. A third of respondents had no opinion. It can be connected with the product character and the need of seeking the new, fashionable trends. Lack of positive evaluation by more than 50% of respondents can be also connected with the characteristic of the respondents group. Do the young consumers can expect more modern than traditional campaigns in case of textile brands? The youth behaviour is difficult to understand: they claim to trademark the snapshot and innovation continuously and are simultaneously immersed in the past to highlight vinyls and outfits of their parents. This generation likes to mix the old with the new to create something own. These are not just products they

buy. They like to assemble different styles including old style, to create something completely new and very modern. Finally, they create the conditions of the brand's nostalgic status developed by Kessous et al. [2015]: “a brand's nostalgic status has a positive effect on attachment, self-brand connections, and storytelling (...) Consumer relationships with nostalgic brands are systematically stronger than with non-nostalgic brands”.

**Figure 7. Evaluation of the advertising uniqueness and advertising's message – global brand from textile sector**

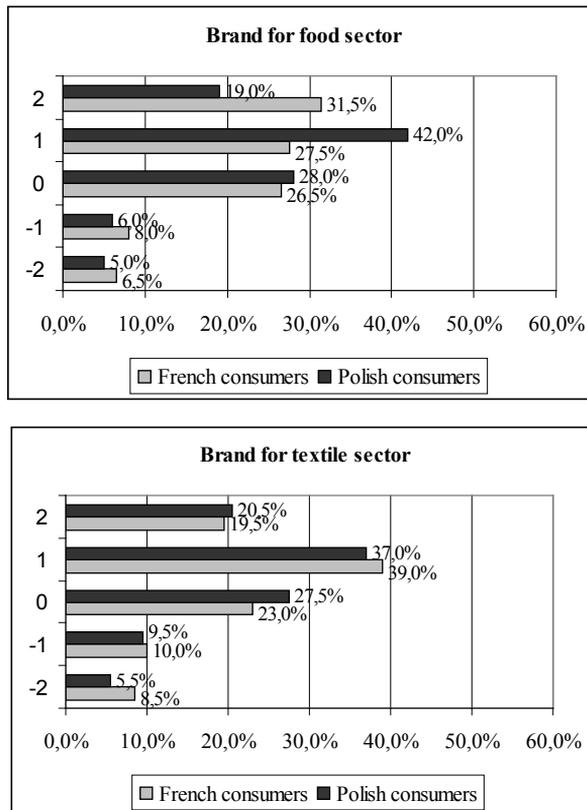


Source: own elaboration based on the research results.

However, for both brands, retro-ads were assessed as stylish equally by French and Polish young consumers (Figure 8). It demonstrates the desire to search for something original, surprising and classy. The retro-ads are not perceived as conventional, boring or old. The young consumers in majority evaluate them as

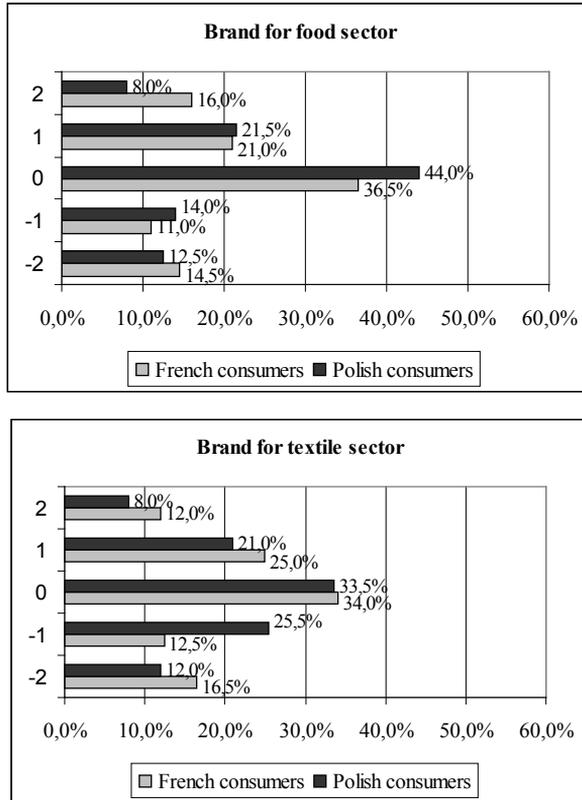
stylish, that means they would be surprised and feel emotional by an aesthetic response to evocations of the past.

**Figure 8. Evaluation of the advertising style**



Source: own elaboration based on the research results.

Despite the positive assessment of advertising style, uniqueness and messages, the retro ads in both cases are not the motivator for the purchase (Figure 9). Only 37% of French and 29,5% of Polish young consumers agreed with the statement that retro-advertising leads them to choose the brand from the food sector. The results were almost similar in case of textile brand. It confirms the previous reflections that retro-campaigns are used mainly to develop the brand equity, reinforce the brand image, differentiate or even reposition the brand that to influence directly on the sales volume.

**Figure 9. Evaluation of the purchase intention**

Source: own elaboration based on the research results.

The analysis of research results proved also the consumers attitudes internationalization. The attitudes of French and Polish consumers towards retro-campaigns of global brands are analogous.

### Final remarks

Consequently, as environment instability increases, people tend to look for security and emotional support in the past [Stern 1992, pp. 11–13], and therefore their nostalgic feelings would increase. The fact that a mark is associated in the past consumers head is a strategic advantage [Hallegatte 2015, p. 8]. Like Badot [2014, p. 226], the authors identified some examples of retro communication campaigns of global brands witch become source of hedonistic gratification – “indeed, an experience that compensates for the shortcomings of other institutions (government, religion, college etc.) that are perceived to be inadequate”. The results

of the research confirm the significance of retro marketing communication in case of global brands in current market conditions.

The “retro” trend in marketing communication strategy of global brands seems to have interest among young people if they can reclaim it into modern trends. This condition creates positive effect on attachment, self-brand connections, and storytelling.

Taking into account the developing needs of consumers of beauty, pleasure, joy, satisfaction, goodness, happiness, love and security, the implementation of retro-style into the global brand communication can create fantasy universes and atmospheres and bring a refreshing and positive effect. It re-enchants the disenchanting consumer.

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## Achieving Environmental Sustainability through Knowledge Management: a Survey Conducted among Corporates in the Czech Republic

**Abstract:** It is now widely recognized that knowledge assets and technological enhancements are essential strategic resources for any organisation to achieve competitive advantage and sustainability. The imperative for achieving this efficiency is in transfer of relevant information for decision-making across all levels of company structure. It can be done with well-disposed knowledge management system, that improves the overall corporate performance. This paper examines how companies in Czech Republic manage their internal knowledge associated with environmental sustainability so as to improve their overall corporate performance.

**Key words:** Environmental sustainability, Sustainability, Knowledge Management.

### Introduction

The globalization brought the enormous changes in business thinking and technologies that have impact on organizations worldwide. The organizations who want to survive in unpredictable and complex competitive markets should quickly adapt to the new dynamics of business. In the last decades sustainability, defined as development which meets the needs of the present without compromising the ability of future generations to meet their own needs [Brundtland Commission 1987], has become an increasingly integral part of doing business in any industry. As at today, there is no clear definition on what sustainability means to corporate. Henceforth, corporates are left with their own interpretation and imagination as to the application of concept of sustainable development to their businesses. However, to improve organisational sustainability-related performance, executives

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have to recognise and better understand the key sustainability-related knowledge assets available within and across organisations. The imperative for achieving this efficiency is in transfer of relevant information for decision-making across all levels of company structure. It can be done with well-disposed knowledge management system, that improves the overall corporate performance. However, a recent survey found that 85% of organizations find their ability for strategical knowledge management weak, while 70% of these same organizations believe knowledge assets can fuel growth in both revenues and core competencies [Arthur 1987].

The aim of this paper is to present results of researches on how companies in Czech Republic manage internal knowledge associated with environmental sustainability so as to improve their overall environmental performance.

The research process is identified into two key phases that are the literature review and the main study. The review of literature involved background study on knowledge management and corporate environmental sustainability management. This resulted in the development of a theoretical framework. Interviews were carried out between Mai and November 2014 among 18 sustainability coordinators and 127 random employees in Czech subsidiaries of international corporates. All surveyed were asked questions concerning creation, documentation, dissemination and utilization of environmental knowledge from the perspective of company sustainability strategy.

### **Environmental Knowledge Management**

Environmental sustainability refers to meeting the resources and services needs of current and future generations without compromising the health of the ecosystems that provide them [Morelli 2011, pp. 19–27]. Effective management of environment related knowledge provides employees with instructions concerning desired behavior and increases capacity to take effective actions in respect of environmental sustainability, thus employees fulfill their mission in the company, which reaches the corporate objectives and strategies.

Davenport and Prusak view knowledge as an evolving mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information that becomes embedded in documents or repositories and in organizational routines, processes, practices, and norms [Davenport, Prusak 1998, p.5].

Knowledge management is a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an enterprise's information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual workers [Duhon 1998, pp. 8–13]. Its goal is to provide the right information to the right person at the right time. Henceforth, knowledge management in environmental

aspect represents goals, measures, structures, and processes to provide roadmaps for how to document, communicate, generate and utilize knowledge [Reinmann-Rothmeier, Mandl, Erlach 2001].

### *Knowledge Creation*

In the literature five modes of knowledge generation are discussed: acquisition, dedicating resources, fusion, adaptation, and building knowledge networks [Choo 2003, pp. 205–220]. Through selection of new employees on the basis of their commitment to sustainability an organization builds a pool of human capital with values and skills that support the organization journey toward sustainability. An organization transitioning toward sustainability should also consider referring to its sustainability values, goals and performance in recruiting materials to attract candidates that will align with these values. Organizations may also dedicate resources to the generation of knowledge by establishing units that undertake research and development. Knowledge generation through fusion can occur when different individuals and groups with different specializations and perspectives are brought together to work on a problem or project. Adaptation takes place when the organization responds to new conditions in its external environment.

The purpose of the knowledge assimilation is using the knowledge in the way to reduce gap between the knowledge that is needed and the knowledge that is currently available. This can happen through the conversion of tacit knowledge into explicit knowledge and back again.

Tacit knowledge is the type of knowledge acquired predominantly through experience. It is personal, hard to formalize and communicate to others [Hansen, Nohria, Tierney 1999, pp. 106–116]. This suggests that tacit knowledge may be best transferred through more interpersonal means and using processes that are less structured like mentoring, teamwork, chat rooms, personal intranets, and opportunities for face-to-face conversations such as group dialogue or personal reflections on experiences and lessons learned. Explicit knowledge is what is written or recorded in manuals, patents, reports, documents, assessments, and can be readily codified, articulated, and captured [Nonaka, Ikujiro, Takeuchi 1995, p. 8]. It can be transferred through more technology-driven, structured processes such as information systems or a mailbox.

To improve organisational sustainability-related performance, executives have to recognise and better understand the key sustainability-related knowledge assets available within and across organisations. It is critical for organisations to understand the key drivers before implementing sustainability-related knowledge management initiatives. The most recognized four enterprise settings for organizational knowledge management are culture, leadership, technology, and measurement [Arthur Andersen Business Consulting 1999]:

- Culture. A corporate culture of environmental sustainability is one in which organizational members hold shared assumptions and beliefs about the importance of environmental accountability. The organization culture should be constructed to encourage organizational learning, and knowledge creation, so as to promote the improvement of organizational learning ability and the exchange and sharing of knowledge. Organisations should create spaces (personal conversations, environmental teams) and places (talk rooms, knowledge fairs, open forums, environmental corners) where knowledge transfer can happen. Most of the impediments are related to the culture of the organization. Enterprise should encourage and drive employees to share and exchange their knowledge, so as to expand the space of knowledge creation, and thus bring potential benefit. This may have form of knowledge transfer platforms as well as provision of necessary resources to support engagement, e.g., education and training budget, time, information, backfilling. Moreover enterprise should set up an assessment and feedback system, an incentive mechanism that rewards employees that actively take part in the process of knowledge transfer, sharing and creation. Thus it can be ensured that there is enough enthusiasm and momentum for active exploitation of knowledge source inside the organization.
- Leadership. Many studies confirm strong connection between board members commitment for corporate sustainability and its program's successful implementation [Adriana 2009, p.1385-1392]. Leadership strategies in industries include strategic planning of knowledge management in alignment with mission/vision, hiring knowledgeable employees, clarifying roles and competencies required for managing sustainability initiatives, identification of employees with sustainability related skills to place them where their skills are needed, as well as evaluating employees for knowledgeable contribution. Leadership is essential to stimulate staff motivation to access the various sources of knowledge and to encourage employees to share their tacit knowledge [Kuo, Chu 2004, p. 331]. Leadership supporting sustainability requires a rewards and recognition program to support and reinforce sustainability behaviors as well as establishment of management structure to execute proenvironmental strategy strategy.
- Technology. Company is responsible for providing infrastructure of tools, systems, platforms and automated solutions among others in form of email, groupware, data translation services and intranet that foster the development, application, and distribution of organizational knowledge. Infrastructure systems connect the members of the organisation and allow them to communicate on all levels [Moore 2010].
- Measurement. Measurement strategies may include benchmarking against other industries, allocating resources toward efforts that measurably increase the knowledge base, and linking and accessing impact of KM to the strategic plan.

### *Knowledge Documentation*

Knowledge documentation includes all methods and processes that can be implemented to make environmental knowledge more transparent to employees. To incorporate sustainability into corporate strategy many companies choose to make investments in some form of environmental management systems or sustainability management systems that may have form of an in-house solution or recognized external system such (EMAS, GRI, AA 1000 or ISO 14001). Many companies also decide to introduce product / process specific certifications such as Fairtrade, LEED green building system or the Forest Stewardship Council. These solutions call for documentation in form of manuals, procedures, instructions, records or written strategies. Some of above mentioned strategies recommend introduction of written commitments procedures, where employees acknowledge and commit to comply with environmental strategy principles. Employees should be also provided with explicit clues on the location of stored documentation. The presentation of knowledge, both internal and external, forms the basis for its communication.

### *Knowledge Communication*

Knowledge communication includes all processes and methods for sharing and disseminating knowledge including the use of technical support tools such as the Intranet or E-mail. On an individual level, it is important to consider the competence, motivation and volition of the knowledge communication. Powerful tool for communication of both tacit and explicit knowledge is creation of platform in form of working groups, regular meetings or network of environmental ambassadors. Knowledge communication not only facilitates the circulation of information, but also leads to the generation of new knowledge.

### *Knowledge Utilization*

The literature recognises four major dimensions of knowledge utilization that are: source, content, medium and users [National Center for the Dissemination of Disability Research (NCDDR) 1996]:

- Source is defined as entity responsible for creating the new knowledge or for conducting dissemination activities. One of the most important findings from the research on dissemination is that the source of information disseminated generally is more important to users than the content of the information [Hutchinson, Huberman 1993, p.15]. Moreover users tend to accept assistance, information, and ideas from sources they know and trust [Carrillo, Lumbley, Westbrook 1984].
- Content attributes that may have influence on adoption of the knowledge are: the quality of the content, the compatibility of users' needs and beliefs, specific kinds of information that promote utilization of research results, and the

comprehensibility of results. Moreover it is recommended that materials should emphasize positive behavior and current rewards more than negative and distant consequences of current behavior [Backer 1988, pp. 18–22].

- A dissemination medium can be defined as ways in which the knowledge is described and transmitted. The selection of the dissemination media most appropriate for a particular content and audience is a complex and challenging task. The literature indicates direct personal interaction to be the most important aspect of an effective medium for disseminating information [Paisley 1993, pp. 222–234].
- Users. The materials to be disseminated should address the concerns of a potential user's daily life and thus be brought down to the individual level by connecting the impact of everyday actions at work with environmental sustainability at home. This can be done by involving potential users in all knowledge management processes from the beginning, with ongoing and substantial interactions between knowledge source and users that can be tightened through encouragement of mutual dialogue or feedback. Another implication involves the user's readiness for change. Even the clearest results will not be utilized if the potential user is not ready to incorporate them into their personal existing schemata. Thus many studies highlight the importance of developing baselines before charging ahead with sustainability. The assessment of employees' readiness for change is a backbone for creation of change mechanisms that are appropriate for the employees' state [Doppelt 2008].

## **Results**

On the basis of the conducted interviews following results were obtained:

### *Knowledge creation*

According to interviewed coordinators the main source of the information on environmental issues were sustainability department in headquarter or local body responsible for environmental management system. 28% of coordinators confirmed that environmental values of candidates is of importance in the staff recruitment process.

### *Knowledge documentation*

The interviewed coordinators mostly indicated documentation in form of strategy, codes of conduct, reports as well as documentation being integral part of already existing solutions in environmental aspect including environmental management systems or facility management. These were however not an obligatory source of information for employees. According to the survey results, documentation seemed to be more targeted at external stakeholders including

media, potential partners or customers. With this strategy organisations aim to improve their competitiveness on the market, more than to stimulate employees to behaviour change. Moreover, only in 7% of organisations employees were in the two last years examined on their opinion and attitude to corporate sustainable interventions (this happened mostly through anonymous feedback questionnaire). Interviewed coordinators admitted that documentation of current internal events (short-term projects, workshops) with environmental focus is stored, mostly for coordinator and management use, on the local server.

#### *Knowledge communication*

Survey also revealed weak internal communication strategy of examined organisations. Only 32 of 127 employees were able to correctly alledge the body in corporate that is responsible for environmental sustainability strategy. 37% of employees admitted being informed about upcoming workshop on environmental issues, however due to lack of interest or ineffective message form, most of the them ignored the announcement. In examined organisations internal communication happened mainly through dissemination of posters and intranet. Interviews revealed no explicit internal social platform/community or a contact person in respect to environmental issues in organisation.

#### *Knowlegde utilisation*

- Source. Only 32 of 127 employees were able to give a correct answer when asked for the name of organisation entity /person responsible for environmental issues in the corporate. Over 80% of persons questioned indicied that HR department is responsible for organisation of environmental activities for employees and dissementation of aspects related to environmental knowledge. Also interviewed coordinators were not able to define an explicit and direct entity in corporate that would be responsible for all management processes framing internal environmental knowledge including its generation, communication, documentation and implementation among employees.
- Contents. The conducted study confirms that companies put more emphasis on external communication of environmental strategy. The internal communication is limited to information referring to new regulations, overall results of environmental performance or event announcements. The results of interviews showed that these contents only to limited extend provide employees with instructions that would foster their proenvironmental behaviour in the workplace.
- Medium. Over 70% of coordinators pointed intranet and posters as the most common dissemination canals for environmental knowledge transfer. Neither coordinators nor employees were able to identify any stable or long-term social platfom like working teams or meetings groups in their organisations.

- Users. Interviewed coordinators judged corporate employees interest and involvement in environmental activities as very poor. The environmental strategies claimed to be urged by the top management without intensive involvement of employees.

## Conclusions

1. The growing Czech market of corporate sustainability reports and commitments allows concluding that Czech companies are on the transformation path to embed environmental sustainability into **corporate culture** [Trnková 2004]. However results presented in this paper show that knowledge management strategies connected to this context still seem to be more addressed to external stakeholders and little focus is given to internal resources. In the Czech Republic the imperative role of employees as source of knowledge still seem to be underestimated. Results of conducted research show that there are still many dimensions of knowledge management that need to be improved. These are among others Creation of social platforms for knowledge generation and exchange.
2. Clear leadership through assignment of (supporting) **team in charge of all processes** of internal environmental knowledge management.
3. Involvement of employees in knowledge management processes as well as fostering the dialogue with the responsible body (feedback, suggestion, assesment).
4. Transparency of documentation.

The fact is that learning and growth perspective essentially means the quality of human resources in company. Thus investing in employees should not be considered to be more cost but an investment. To keep up with the time it is essential that employees continually improve and learn, and develop corporate proenvironmental culture and attitudes with respect to individual and corporate advance.

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## Organizational Culture as a Variable that Determines Effective Cross-cultural Management

**Abstract:** Traditionally, organizational culture is strongly connected with the culture of a particular country or a region. In Poland more and more organizations have been paying attention to it since the beginning of transformation. Managers and employees are increasingly putting an emphasis on the intentional development of culture in their own business, also during trainings, as this is an important element of organizational success. However, in Poland, which is a conglomerate of various cultural patterns, specifying one common reference point as the main determinant and the basic element of organizational culture in Polish companies is not easy. The transfer of Polish cultural patterns into a different area usually creates problems. Polish organizations also struggle with adopting other cultural patterns. Globalisation and the process of “shrinking” the world lead to the development of international organizations. As a result, new types of organizational culture can be observed. This can be called a blend of cultures or multiculturalism. Managing in such conditions is cross-cultural management. Organizations, managers and employees have to act in such a way in order to, on the one hand, maintain their cultural identity, on the other hand, skilfully adapt and implement elements from other cultures. **This gives organizations an opportunity to be creative and competitive in today's market.**

**Key words:** organizational culture, intercultural management, multiculturalism, culture mix, globalization

### Introduction

When we reflect on the influence of culture on management companies, we usually have in mind the impact of values and standards existing in the country

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and affecting the behavior of people working in various types of institutions, including business organizations. In theory these values and standards underlay different processes and procedures in different nations and countries. Activities of an economic nature and management will therefore, according to this theory, differ depending on the culture of the country. Often colloquially we talk about the fact that “Poland does not have a tradition of good governance”, or that “Poles are not able to work well and organize work.” Both of these statements have some elements indicating cultural determination in Poland probably emanating from Poland’s education system.

Let us begin by defining the term “culture”. Culture is generally the product of human activity, tangible and intangible, valued and recognized within the community [Szczepański 1972]. This community may be different in terms of culture theory. This means in terms of the products of thoughts and actions, values and practices that are recognized and accepted by the community and that have gained importance to its members, thereby setting behaviors considered to be mandatory [Szczepański 1972, p. 83].

### **Culture as a variable**

#### *Culture as an independent variable*

In many comparative studies on organizations that have been very popular lately, (so-called “cross-national research” or “comparative management”), culture is often regarded as an independent variable, i.e. an external factor which directly affects and determines behaviors inside the organization, behaviors of both the employees and the managers in a specific country. This is a factor that practically remains unchanged. It is a factor derived from one’s place of birth and upbringing. An individual born and raised, for example, in Japan would work according to the ethos of work of Japanese national culture. The studies carried out with this approach usually focus on the analysis of management and employee attitudes in different countries [cf. Smircich 1983; Hofstede 1980, 2000; Solarz, 1985; B. Cichomski, W. Morawski 1988; Morgan 1997, pp. 128–136; Fukuyama 1997; Hampden-Turner, Trompenaars 1998], or they compare business activities [cf. Berger 1994].

Culture is seen here nearly as a synonym of the studied country. It is very important to analyse values and norms adopted in a specific country and take into account religion in that country [Berger 1994, Korzhov 1999]. The literature on this issue may be divided into two groups:

- the first group includes studies on relations between culture and, for instance, the structure of the organization,
- the second group involves studies focused on the similarities and differences in the attitude of managers, employees and entrepreneurs, members from different cultures [ Smircich 1983, p. 343, Konecki 1985, pp. 245–248].

Comparative studies are usually based on the outcomes of polls and questionnaires. They are usually focused on studying a particular type of problems only, including the attitude to work, work or career satisfaction which, as a result, limits to some extent the area of observations. Thus, this type of studies enables to get to the values and norms that differentiate, for example, the ethos of work in different countries or employee orientations and attitudes, however, it does not allow to see broader relationships. It seems obvious that the differences in behaviours of employees in Japanese, American or Polish companies will be obvious even to a researcher who is not too inquisitive. The culture of a particular country lies at the bottom of these differences, i.e. the values and norms that occur in it, which are an element passed down from generation to generation in the process of upbringing.

For example, after Hampden-Turner and Trompenaars [1998], we can distinguish four elementary dimensions that differentiate the group of basic values:

a) universality – particularism, here it is worth asking the following question: Do the rules that we are able to arrange in a systematic way control the actions taken by managers? Or perhaps every single case of making decisions, according to the author's assumptions, should be considered in a separate and independent way?

b) analysis – synthesis, it raises another question: Do managers consider the possibility of analysing each case separately? Do they consider the possibility of combining elements in a new whole to form new values based on them?

c) individualism – collectivism, what is more important: an individual with his or her development, individual rights or the community, the group and the company are more important?

d) equality – hierarchy: Is it more important for an organization to treat its employees as equal partners in the process of its development or more attention is given to highlight the hierarchy, the power of those who are in charge, and respect for such a situation?

Below is a short deliberation on the consequences of the dominating role of individual solutions:

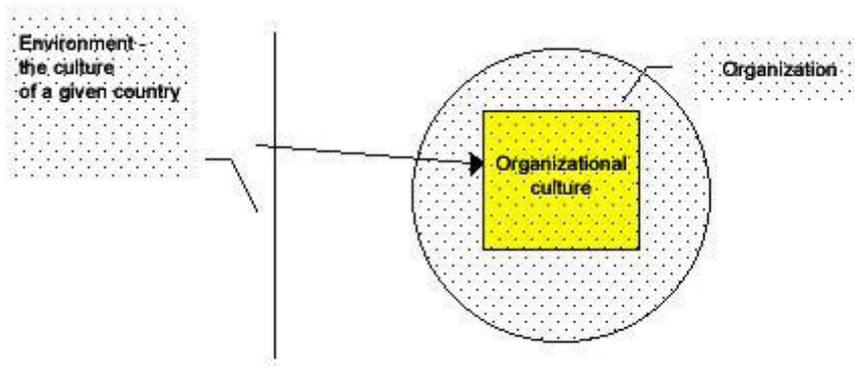
A strong attachment to “universalism” as a complete opposite of particularism gives guidance for managers to use the rules that are considered to be generally accepted.

On the other hand, aiming at the “analysis”, in contrast to synthesis, causes that employees are treated as “human resources” comparable to the sources of capital or resources. They are not the subject of the process. This interpretation leads towards a management style defined as management by objectives [Hampden-Turner, Trompenaars 1998, p. 40, 44]. The core of analytical objectives is to aim the activities of the organization at effectiveness whose basis direct consequence is profit. Extreme analytical aims create favourable conditions for the development of bureaucracy.

When we deal with a predominance of individualistic values over the collective values, both of which determine the ways of rewarding and motivating employees, we notice dominance mainly in the area of motivating and rewarding employees such as promoting, award bonuses and rewards for individual achievements, an individual assessment of employees concerning the tasks they carried out, methods of selection and recruitment of employees, we deal with a situation of disturbing internal relations among employees.

These are only a few selected antagonisms that occur in the organization, they have their roots in the culture of the country from which a particular organization comes from.

**Figure 1. Organizational culture as an effect of the cultural influence of a specific country**



Source: Konecki.2000.

Certainly, the approach presented above is only one of the aspects dedicated to perceiving organizational culture as a variable. Like all attempts of defining and developing a framework for the whole range of issues related to organizational culture, also this approach has its supporters and critics. The opponents of this approach claim that both the context of work and individual interpretations in which it is difficult to avoid the element of latitude and a subjective choice made by the participants of the work process have no chance of being presented properly. Therefore, actual actions taken by employees in an organization are considered in a very limited way in this type of analysis. Usually selected for the presented approach, quantitative methodology, which aims mainly at studying the objectified cultural aspects and behaviours, leads to the mentioned limitations to a great extent.

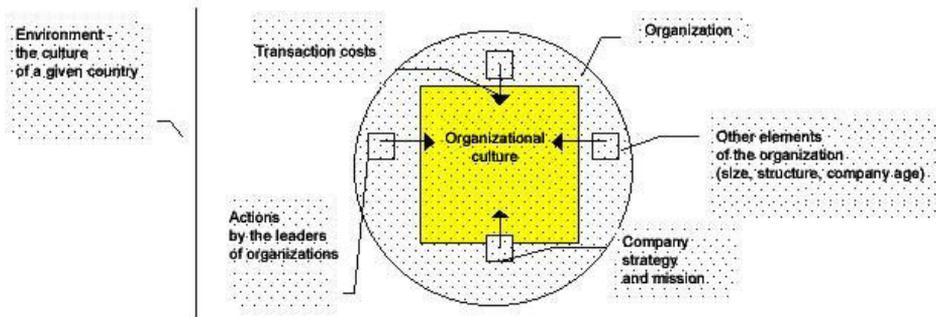
Supporters of treating culture as an independent variable think that the organizational structure and the outcomes of activities of a particular organization can be explained from the angle of specific features of a given culture [Redding 1994].

An example of this type of thinking is a work by R. Dore [1973] in which the author compares British and Japanese electronics companies. He suggests that “different assumptions on human nature” in both cultures cause the development of completely different relations between managers and employees.

### Culture as a dependent variable

Since culture has more than one name, so does organizational culture. It tends to be regarded as an element of organization that is dependent on other organizational elements, thus, it is specified as a dependent variable. This means that it is determined by other factors [Smircich 1983] such as transaction costs, property rights [Jones, 1983; Wilkins, Ouchi 1983] or actions taken by entrepreneurs or organizational leaders. In this view, organizational culture is a creation of the internal environment of a given organization.

Figure 2. Culture as a dependent variable (see also Example 2)



Source: Konecki.2000.

When a particular culture with its norms and values is formed in an institution, it can operate as it was bureaucratic rules and procedures:

“The use of sophisticated socialisation programmes in a professional training for employees can be considered as a way to economize on transaction costs, that is why the internalization of norms and values provides employees with a common language through which they carry out activities and regulate exchange relations” [Jones 1983, p. 464]. The exchange in organizations, for example, between employers and employees may be controlled not only by market mechanisms such as salary or a bureaucratic mechanism in the form of provisions, but also by a cultural form of regulations which includes values and norms [Wilkins, Ouchi 1983]. The employees who participate in the process of economic exchange in the labour market are

socialised in such a way that there is no need to supervise them during work. They accept and recognise particular norms and values and, as a consequence, social norms determine the high quality of work, the good organization of work, complete loyalty to the company, etc.

The cultural form of regulations is in this case a consequence of transaction costs and a variable dependent on the exchange process. Employers, if it is possible in specific conditions, use the cultural form of regulations because this is a cheaper alternative for the bureaucratic form. The only cost is generated here by intense trainings for employees at a stage of shaping their relations during which they are subject to certain educational procedures that develop their new values and everyday habits. In an extreme case they also result in changing participants' personality.

A positive effect of using this form of regulations, determined also as a process of re-upbringing employees, is usually the high quality of performance and complete loyalty of such employees to the company.

Certainly, this approach has its critics as well. They claim that the presented model, compared to the model previously presented, takes into account the internal dynamics of organizational culture only in a slightly bigger extent.

In this view, organizational culture is still regarded as one of many elements in the organization or sometimes as a variable intermediating in the correlations between other organizational variables.

For example, the study presented by Pascale shows that the size of the organization has a bigger impact on the intensification of direct communication which is regarded as a property of organizational culture rather than the culture of a given country.

The bigger the organization is, the more this element becomes less significant. This concerns both Japanese and American companies [cf. Pascale 1978, pp. 107–108].

According to the critical arguments, the importance of the cultural influence of a specific country on the operation of the organization is usually diminished here. In this view employees are generally treated as those who submissively carry out their tasks because of external influences [Epstein 1990, p. 90].

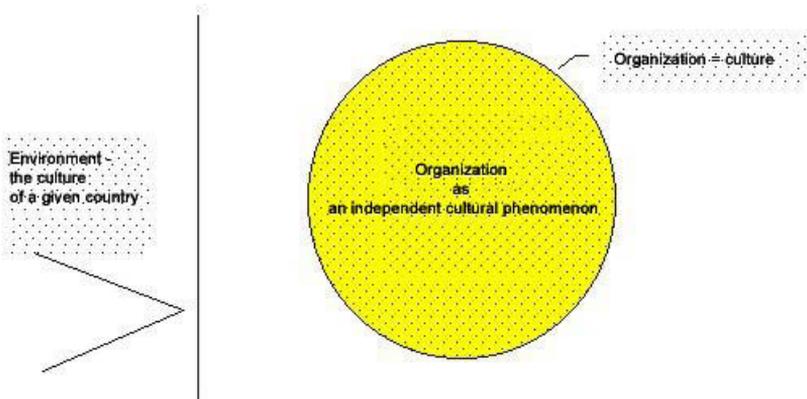
An individual is not the main area of interest for researchers.

### **Culture as an autonomous entity**

An alternative for the two models presented above is the third model. This is an analytic model of organizational culture also called an indeterministic model of analysis [Smircich 1983; Konecki 1985, Morgan 1997, pp. 146–152]. Culture is regarded as an autonomous entity, independent both of the influence of culture in a specific country and other elements of the internal environment in a particular organization which are independent of it. Despite its constructive autonomy, this model seems to be the least popular among researchers. It is rarely used in empirical studies.

Culture is a form of expression of human consciousness here. In this view culture and the organization mean the same. These terms are treated as synonyms. Studies based on this view focus on learning and experiencing the organization that is a kind of a subjective experience for each participant. The organization is a social construct here [cf. K. Konecki 1992]. The regular qualitative methods are used here and case studies are the most common tools [cf. K. Konecki 2000, pp. 126–143]. The research activities aim mainly at looking for the subjective definitions of situations and different aspects of organizations [Turner 1971]. To achieve this objective, researchers often spend much time together with the observed persons to be able to express their point of view on the events and issues that occur in the organization. By doing so, it is possible to show the processes of interaction occurring in the organization such as fight, games, manipulations, negotiations. These processes have a direct impact on the shape of the organization but also on its constant changes. In this view the organization is a process.

**Figure 3. Organization as a cultural phenomenon, the indeterministic model of analysis of organizational culture (see also the end of the chapter, Example 3)**



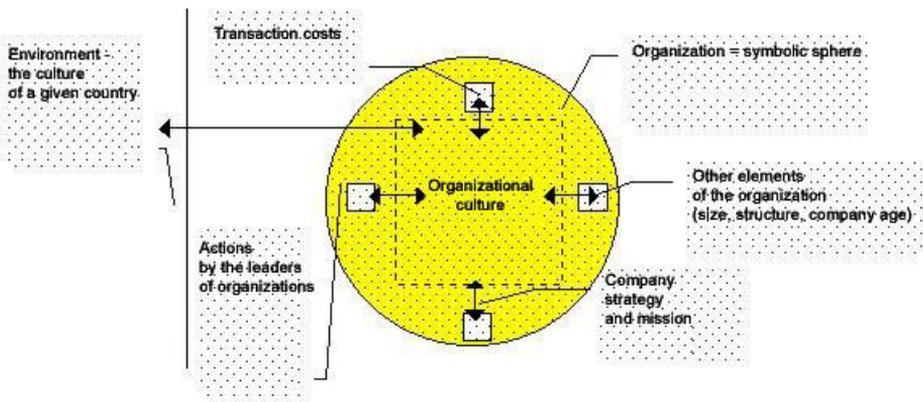
Source: Konecki 2000.

However, critics of this approach point out the elementary, in their opinion, mistake that lies at its basis. It focuses, in their view, mainly on the description of organizational culture and not on explaining what it is and what role it plays. The main subject of deliberations in this approach is a focus on concepts specific for particular cultures, not on the concepts of the universal approach. The researchers who support this view tend to use the case study for observations, i.e. usually individual organizations or enterprises, which in their opinion prevents from generalisations and even a wider diagnosis of the term „culture”.

Taking into consideration the diversity of the analytical approaches outlined above and their achievements in studying organizational culture, it can be stated that organizational culture is the influence that is developed both in the organizational environment (culture as an independent variable, Fig. 1) and also inside the organization (culture as a dependent variable, Fig. 2) as well as “in human mind” (indeterministic model of analysis, Fig. 3).

To sum up, organizational culture would cover the systems of values and norms which are shared collectively in the organization and are often derived from the organizational environment, common and often sub-conscious assumptions and rules related to them which are created by the members of the organization, as well as the whole internal symbolic operational sphere of the organization. The symbolic sphere includes the organizational language, ideas, myths, beliefs, systems of knowledge, rituals that occur in the organization. The term “organizational culture” defined by us in this way can fulfil a function of integrating the description and the analysis of an organization or an enterprise.

Figure 4. The integrated model of organizational culture



Source: Konecki 2000.

We go beyond the limits of the model treating organizational culture as an independent variable and a dependent variable, as well beyond the indeterministic model of analysis. These three models can be used together and globally. These models were formed based on studies and analyses, thus, they reflect the empirical state of an organization operating in the cultural dimension. Organizational culture depends both on the culture of a specific country and the internal elements of an organization. It can also be partially independent of those two aspects due to the autonomy of human actions that occur in organizations. Organizational culture may

even have an impact on the functioning of some elements in the organization and the culture of a specific country, for example, some companies affect the lifestyle (Fig. 4). Thus, organizational culture can be perceived from three points of view and these points of view show the real dynamics of developing organizational culture, which is proved by the empirical studies mentioned earlier (see also: Examples at the end of the chapter). Making a triangulation, i.e. approaching the problems from three points of view at the same time, we create the fourth integrated model of analysis that is in fact a synergic result of the previous three points of view (Fig. 4).

When discussing organizational culture from a sociological perspective, we focus on the group and community aspect of developing and maintaining this culture, its internal contradictions related to the hierarchy as well as the structure and the social bond. In a scientific discipline called “organization and management” science it is thought that organizational culture is strictly related to competent management and managing a formal organization. The instrumental area of activities is a consequence of values adopted, norms of a particular organization [Sikorski 1986]. The company success may be credited to organizational culture which is intentionally shaped by the management (educational and state institutions as well). Furthermore, this success may relate to the skills of instrumental use of these cultural elements, which are beneficial for modern organizational techniques and strategies. The description of organizational culture according to our definition shows the role played by the expressive and interactive elements of rational organizational actions, often ignored and treated as a folk background by organizational practitioners and the researchers studying organization and management [cf. K. Konecki 1992a, pp. 165–175]. It turns out that individual and autonomous actions, i.e. independent of external factors, play an extremely important role in organizations.

Summing up, it can be stated that companies obtain not only capital, energy, material, people and information from their environment but also culture in the form of norms, beliefs, stereotypes or symbols. These inputs are developed inside the organization and processed into outputs such as products or services which, as a result, become an element of feedback with inputs. The culture of a society which is transformed in the company is a material from which the company organizational culture is made (see Fig. 4). It is also contained in outputs, i.e. products, services, the company image that reflects it in the awareness of customers and contractors and in the organizational identity, i.e. the conceptions of members of the organization of what is distinctive, unique and constant in their company and what, in their opinion, the important external partners of their organization think about the things which are distinctive, unique and constant. Thus, the organizational culture of a company goes beyond the company to the environment that is changed under its influence in the cultural aspect (customers change their tastes or customs and habits). Companies change the culture of the societies of their customers through their

products and adverts. For example, some products such as a Walkman, a mobile phone or a visual product advert promoting new styles of dressing, consumption, spending free time, hedonistic values changed permanently our culture of everyday life. Thus, the culture of a given country cannot be regarded as a variable affecting only the operating of a company and its organizational culture in only one way. It is also affected by business activities in the economic market.

### **How can the organizational culture that plays the role of a variable affect cross-cultural management in the organization?**

Culture perceived in the perspective of cross-cultural comparative studies on management is an independent variable affecting the organization [Kostera 1996, pp. 63–65]. Taking into account this approach, it is defined in functional categories and is a background which has an impact on the management process. Studies on the national styles of leadership and management as well as comparative studies on the impact of cultural background on organizations are based on this approach.

In the previous sections various models of regarding organizational culture as a variable were pointed out. However, it has been recently argued more and more frequently that today organizations are understood mainly as symbolic actions, forms of human expression, the output, the effect of cognitive undertakings or a sign of community involvement. In the context of the paradigms above, a change in the perspective of perceiving and defining organizational culture is gradually taking place.

Business organizations are not just economic undertakings anymore but the psychological, social and symbolic dimensions of their operation are pointed out [Sulkowski 2005].

Assuming that organizational cultures have to be related to the cultures of societies, is it reasonable to expect an exchange of elements among them?

The majority of researchers (after: Sulkowski 2005) assume that the transfer of values and norms from the culture of the society to the organizational culture is taking place.

Certainly, one cannot deny that a reverse process may be taking place as well but, as it can be assumed, its intensity is much lower.

Traditionally, organizational culture is strongly connected with the national culture of a particular country. In fact, it is difficult to find one type of culture that is only used in the operating, live organization. In live organizations the mixed type is usually used. Poland is a particularly interesting example of a huge diversity of cultural influences from the organizational environment. Since it is situated in the centre of Europe, different cultural patterns can be found there. This is usually a consequence of our history and a hangover from the period of partitions. S. Kurowski, who studied this issue in terms of economic issues, explains that

even today significant differences can be found among organizations located, for example, in the provinces of Białystok, Poznań or Cracow.

The transfer of Polish cultural patterns into a different environment is not always easy. On the other hand, adopting different cultural patterns is difficult for Polish organizations. As a result, many foreign organizations because of the cultural factors are more willing to employ young, inexperienced graduates who are more impressionable than the experienced but shaped in different cultural patterns specialists. There are various organizational cultures in the world. S. Ronen distinguished the following culture circles:

- Anglo-Saxon (US, Canada, the UK, New Zealand, Australia, Ireland);
- Germanic (Germany, Austria, Switzerland);
- Nordic (Sweden, Denmark, Norway, Finland);
- Middle Eastern (Turkey, Greece, Iran);
- Arabic (Saudi Arabia, Oman, Kuwait, the United Arab Emirates, Bahrain, Abu Dhabi);
- Far Eastern (Thailand, Taiwan, Indonesia, Vietnam, the Philippines, Hong Kong, Singapore, Malaysia);
- Latin American (Colombia, Peru, Mexico, Chile, Venezuela, Argentina);
- Latin European (France, Belgium, Italy, Spain, Portugal);
- non-standard cultures (Brazil, Japan, India, Israel).

The presented classification is old since the results of the research were published in 1986. Since then, changes have been taking place successively.

Changes in the world, including the development of international and multinational organizations, resulted in establishing a new type of organizational culture. This culture can be called a culture mix or according to the literature on the subject – interculturality or multiculturalism, and the management related to it is intercultural management.

As J.F Stoner says, multiculturalism can be defined as a view that there are many different cultural means and factors which are very important for organizations and that people from different backgrounds may coexist and be accepted in the organization. Multiculturalism is usually defined as cultural factors such as ethnic origin, race, sex, fitness, sexual orientation. However, according to Koźmiński, *cross-cultural management is focused on organizational behaviours in international systems, human interactions from more than one culture operating within organizational roles.*

Cross-cultural management is based on the assumption that culture has an impact on the way of how such roles are played. Thus, this is a kind of “an operation on culture”. It involves taking ad-hoc actions in the social sphere of the organization and intentional aiming to change its subculture in such a way that it could manage multiculturalism better.

## Conclusions

In a situation when more and more organizations have international staff and international owners, such actions must be taken to manage the existing diversity skilfully. Managers and employees face the problem how to function in order to, on the one hand, maintain their cultural identity, and on the other hand, adopt the most important things from different cultures that will help the organization to be competitive and creative. Ethical issues are strictly related to culture matters. However, due to the fact that business ethics is a separate problem, this issue was only mentioned [Kisielnicki 2008].

Summing up the deliberations in this article, I have the impression that they are still an introduction for further discussion on the typology of models of organizational culture as a variable in the face of challenges related to the transformations which are a consequence of cross-cultural management.

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